

FY 2015

# SUMMARY OF PERFORMANCE & FINANCIAL INFORMATION

# MESSAGE FROM OUR CHAIRMAN



It is my pleasure to present the Federal Communications Commission's (FCC or Commission) Fiscal Year (FY) 2015 Summary of Performance and Financial Results. The purpose of this summary is to increase our agency's accountability by making financial and performance information more transparent and accessible to all citizens. This report contains a summary of the progress the FCC made during FY 2015 in meeting the key challenges facing the agency, as well as an assessment of the financial management of the FCC.

Since becoming Chairman in November of 2013, I have devoted my efforts to approaching the vast array of issues we face – promoting economic growth and national leadership, protecting public interest goals, making networks work for everyone, and promoting operational excellence. Thanks to the highly capable team of public servants at the Commission – including my fellow Commissioners Clyburn, Rosenworcel, Pai and O'Rielly – the Commission continues to take action on issues that will help American consumers, enhance U.S. competitiveness, and improve our innovation economy.

Unleashing spectrum for broadband remains one of the FCC's most effective strategies for spurring economic growth and job creation. At the top of our spectrum agenda is the unprecedented Incentive Auction, the most complex in Commission history, and we have been advancing a number of actions to put us on track for a successful auction. I am also pleased to report the success of this year's AWS-3 auction which raised over \$40 billion in net revenues.

This past year, the Commission adopted the Open Internet Order, which will protect and promote the Internet as a platform for innovation, expression, and economic growth. An Open Internet means consumers can go where they want, when they want. It means innovators can develop products and services without asking for permission. Americans now have a referee on the field to deter blocking, throttling, pay-for-priority fast lanes, and other behaviors that could harm consumers and innovators.

The Commission granted – with conditions – approval of the acquisition of DIRECTV by AT&T Inc. As part of the merger, AT&T-DIRECTV will be required to expand its deployment of high-speed, fiber optic broadband Internet access service and make that service available to E-rate eligible schools and libraries, as well as create a low-income broadband service. The company will be required to submit all completed interconnection agreements to the FCC, along with regular reports on network performance. These strong measures will protect consumers, expand high-speed broadband availability, and increase competition.

One of this Commission's most fundamental responsibilities is to ensure that all Americans have access to vital communications services. This past year, the Commission approved a Notice of Proposed Rulemaking ("NPRM") to reform the FCC's Lifeline program, exploring new ways to expand access to broadband while strengthening protections against waste, fraud, and abuse. Building on reforms adopted in 2012, which helped annual Lifeline spending drop nearly 23% from almost \$2.2 billion to \$1.7 billion, the Lifeline reform NPRM proposes to streamline and tighten the process of verifying consumer eligibility by taking it out of the hands of providers.

The Commission improved the E-rate program's cost-effectiveness and set specific, ambitious goals for the broadband capacity delivered to schools and libraries – a short term target of 100 Mbps per 1,000 students, and a longer term target of 1 Gbps per 1,000 students. The FCC also re-purposed funding for Wi-Fi and robust broadband connections capable of supporting cutting-edge, one-to-one digital learning.

Over the past several years, hundreds of thousands of consumers have complained to the Commission about unwanted telephone calls. Complaints under the Telephone Consumer Protection Act (TCPA), the law that makes unwanted robocalls and texts illegal, are the largest complaint category we have at the FCC. In FY 2015, the Commission moved to modernize our regulations to catch up with today's technology and to protect consumers against unwanted robocalls and spam texts.

Twenty-five years ago, our nation took an historic step toward fulfilling the fundamental American promise of opportunity for all when we adopted the Americans with Disabilities Act (ADA). The ADA also set the stage for other critical disability laws. The FCC has played a key role in implementing these important civil rights laws and in harnessing the power of communications technology to improve the lives of Americans with disabilities. The efforts we have undertaken have had valuable impacts, including improvements to closed captioning and enabling text-to-911 calls. Last May, we adopted rules to ensure individuals who are blind or visually impaired can quickly access critical information shown on television in the event of an emergency, and we expanded the iCanConnect Program to provide communications for low-income Americans who are deaf and blind.

Improving the way this agency does business has been one of my highest priorities. We conducted a top-to-bottom review to identify areas in need of reform, and we have subsequently taken a series of efforts to create a leaner, more efficient, more productive, and more transparent organization. Thanks to these efforts, we are making decisions faster, increasing speed of disposal on routine matters, expanding electronic filing and distribution, decreasing backlogs, and improving responsiveness to consumers.

It has been more than 20 years since the FCC last examined its Enforcement Bureau's field structure. Many forms of technology commonly used today did not exist or were not widely available back then. Reduced FCC resources also necessitated a review of field staffing and priorities. The Commission adopted a modernization plan that will allow our field operations to concentrate resources where they are needed most — areas with the greatest spectrum density. It refocuses staff on the resolution of public safety and other interference issues. Once implemented, this plan will save millions of dollars annually. We will apply these savings to modernize the equipment used by the field so they can handle the interference issues in the new shared spectrum environment.

A more detailed view of the Commission's financial statements can be found in the FY 2015 Agency Financial Report, located at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>. This is also the location where you can find the FY 2015 Annual Performance Report, which provides a comprehensive look at the FCC's accomplishments for the fiscal year.



Tom Wheeler  
Chairman

# FY 2015 PERFORMANCE SUMMARY



# OVERVIEW OF THE FEDERAL COMMUNICATIONS COMMISSION

The Federal Communications Commission has chosen to produce this Summary of Performance and Financial Information to provide a citizen-friendly document summarizing the FCC's financial status and performance for Fiscal Year 2015 (October 1, 2014 through September 30, 2015). We do this in recognition that members of the public, particularly our key constituencies, are stakeholders in the work and the results of our agency. Our goal is to increase the transparency and accessibility of the FCC and increase the accountability of the Commission to you, the citizens of the United States.



# ABOUT THE FCC

The FCC is an independent regulatory agency of the United States Government. The Commission was established by the Communications Act of 1934 and is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The FCC also regulates telecommunications and advanced communication services for hearing-impaired and speech-impaired individuals, as set forth in Title IV of the ADA. The Commission's headquarters is located in Washington, D.C., with three regional offices, sixteen district offices, and eight resident agent offices throughout the Nation.

Five Commissioners direct the work of the FCC. All are appointed by the President and confirmed by the

Senate for five-year terms, except when filling the unexpired term of a previous Commissioner. Only three Commissioners can be of the same political party at any given time and none can have a financial interest in any company or entity that has a significant interest in activities regulated by the Commission. The President designates one of the Commissioners to serve as Chairman.

The Chairman and the Commissioners are:

- Chairman Tom Wheeler
- Commissioner Mignon Clyburn
- Commissioner Jessica Rosenworcel
- Commissioner Ajit Pai
- Commissioner Michael O'Rielly



Pictured from left to right are Commissioner Pai, Commissioner Clyburn, Chairman Wheeler, Commissioner Rosenworcel, and Commissioner O'Rielly.

# MISSION

As specified in section one of the Communications Act of 1934, the Commission's mission is to "make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."<sup>1</sup> In addition, section one provides that the Commission was created "for the purpose of the national defense" and "for the purpose of promoting safety of life and property through the use of wire and radio communications."<sup>2</sup>

<sup>1</sup> 47 U.S.C. § 151.

<sup>2</sup> *Id.*



# ORGANIZATIONAL STRUCTURE

The FCC Chairman leads the Commission as head of the agency. In order to accomplish its mission, the FCC is organized by function. There are seven Bureaus and ten Offices. The Bureaus and the Office of Engineering and Technology process applications for licenses to operate facilities and provide communications services; analyze complaints from citizens and other licensees; conduct investigations; develop and implement regulatory programs; and liaison with consumers, regulated entities, state, local, tribal, and foreign governments. Generally, the nine other Offices provide specialized support services. Bureaus and Offices regularly join forces and share expertise in addressing FCC-related issues.

## The Bureaus

### The Consumer and Governmental Affairs

**Bureau** develops and implements the FCC's consumer policies, including disability access and policies affecting tribal nations. The Bureau serves as the public face of the Commission through outreach and education, as well as through the Consumer Center, which is responsible for responding to consumer inquiries and complaints. The Bureau also maintains collaborative partnerships with state, local, and tribal governments in critical areas such as emergency preparedness and implementation of new technologies.

**The Enforcement Bureau** enforces the provisions of the Communications Act, the Commission's rules, orders, and various licensing terms and conditions. The Bureau's mission is to investigate and respond quickly to potential unlawful conduct to ensure: (1) consumer protection in an era of complex communications; (2) a level playing field to promote robust competition; (3) efficient and responsible use of the public airwaves; and (4) strict compliance with public safety-related rules.

**The International Bureau** administers the FCC's international telecommunications and satellite programs and policies, including licensing and regulatory functions. The Bureau promotes pro-competitive policies abroad, coordinates the FCC's global spectrum activities, and advocates U.S. interests in international communications and competition.

**The Media Bureau** oversees broadcast radio and television, as well as cable and satellite services on behalf of consumers. It also administers licensing and policy matters for broadcast services and cable, and handles post-licensing matters for satellite services.

### The Public Safety and Homeland Security Bureau

is responsible for developing, recommending, and administering the agency's policies pertaining to public safety communications issues. The Bureau supports and advances initiatives that further strengthen and enhance the security and reliability of the nation's communications infrastructure, and public safety and emergency response capabilities. The initiatives will better enable the FCC to assist the public, first responders, law enforcement, hospitals, the communications industry, and all levels of government in the event of a natural disaster, pandemic, or terrorist attack.

### The Wireless Telecommunications Bureau

develops and executes policies and procedures for fast, fair licensing of all wireless services, from fixed microwave links to amateur radio and mobile broadband services. The Bureau oversees nearly two million licenses, conducts auctions to award licenses, and manages the tower registration process. The Bureau also produces an annual assessment of the wireless industry – the Mobile Wireless Competition Report – and manages interactive web tools such as the Spectrum Dashboard, which delivers key information to the public on wireless services in a simple, transparent fashion.

### The Wireline Competition Bureau

works to ensure that all Americans have access to robust, affordable broadband and voice services. Its programs help ensure access to affordable communications for schools, libraries, health care providers, rural and lifeline consumers. It works to protect consumers and foster competition, especially for the services that



small businesses need, and ensures a sustainable policy framework for competitors that rely on the facilities of others. It reviews communications industry transactions and conducts rulemakings and proceedings to ensure the availability of key inputs for communications providers, such as access to utility poles and rights of way. And it provides the public with accurate and comprehensive data about communications services, including broadband.

## The Offices

**The Office of Administrative Law Judges** is composed of one judge (and associated staff) who presides over hearings and issues decisions on matters referred by the FCC.

**The Office of Communications Business Opportunities** serves as the principal advisor to the Chairman and the Commissioners on issues, rulemakings, and policies affecting small businesses, women, and minority-owned communications businesses. It also represents the FCC in various matters coordinated with the U.S. Small Business Administration, including those involving the Regulatory Flexibility and Small Business Acts.

**The Office of Engineering and Technology** manages the spectrum and provides leadership to create new opportunities for competitive technologies and services for the American public.

**The Office of the General Counsel** serves as the chief legal advisor to the Commission and its various bureaus and offices. The Office of General Counsel also represents the Commission in litigation, recommends decisions in adjudicatory matters before the Commission, assists the Commission in its decision-making capacity, and performs a variety of legal functions regarding internal and other administrative matters.

**The Office of the Inspector General** provides objective and independent investigations, audits, and reviews. The Office provides recommendations to detect and prevent fraud, waste, and abuse in FCC programs and operations. The Inspector General reports the results of investigations, audits, and reviews semi-annually to the Chairman and to the Congress, fully informing them of all programmatic and operational deficiencies at the FCC.

**The Office of Legislative Affairs** serves as the liaison between the FCC and Congress, as well as other Federal agencies. This Office provides lawmakers with information regarding FCC regulatory decisions, answers to policy questions, and assists with constituent concerns. The Office also prepares FCC witnesses for Congressional hearings, and helps create FCC responses to legislative proposals and Congressional inquiries.

**The Office of the Managing Director** is responsible for the administration and management of the FCC. Specifically, the Office manages: the Commission's budget and financial programs; human resources; contracts and purchasing; communications and information technology services; physical space; security; the Commission meeting schedule; and distribution of official FCC documents.

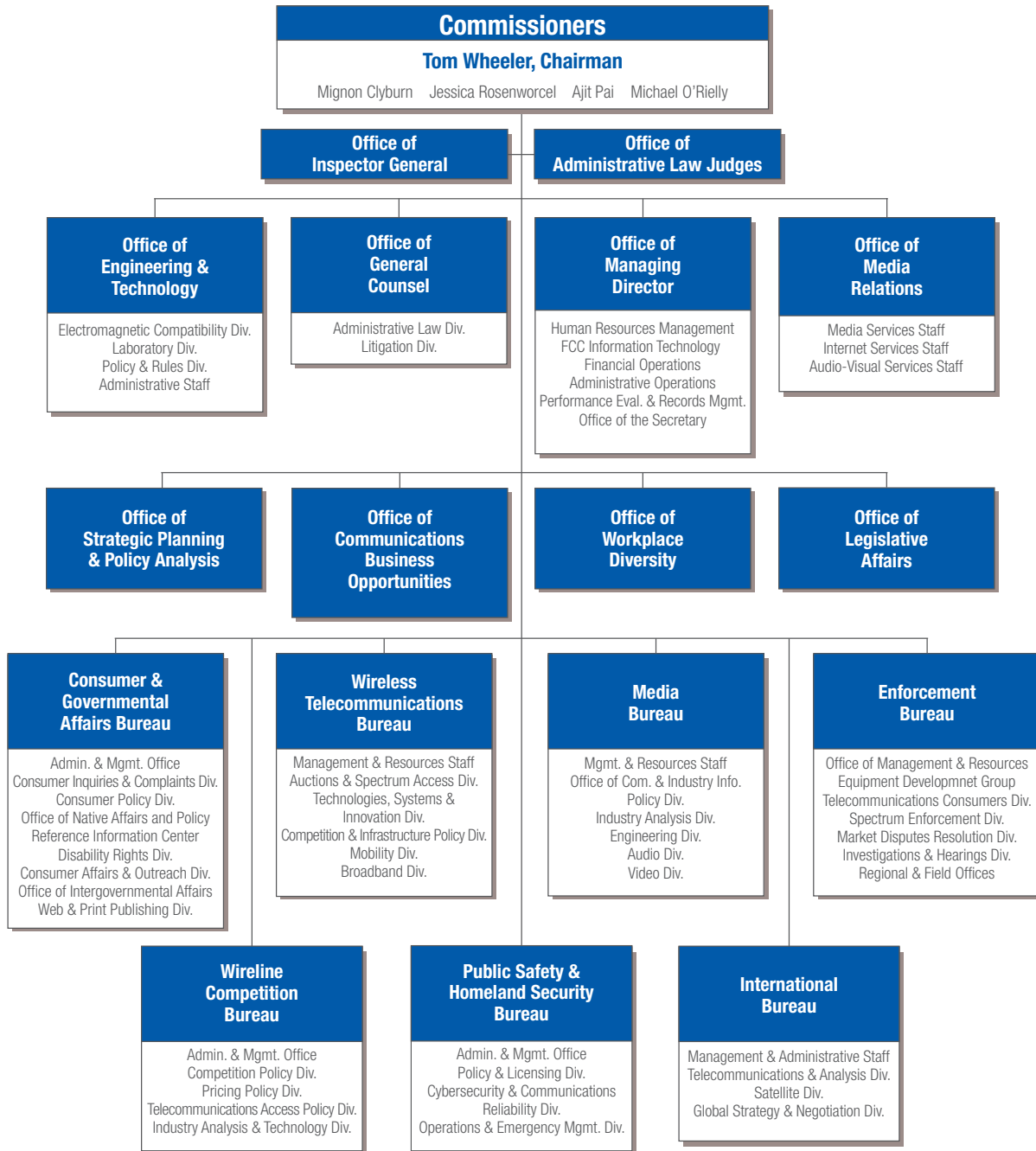
**The Office of Media Relations** is responsible for disseminating information on Commission issues. It coordinates news media requests for information and interviews on FCC proceedings or activities. The Office also facilitates the release of all Commission announcements, orders, and other information. Furthermore, it manages the FCC Daily Digest, the FCC webpage, and the FCC Audio Visual Center.

**The Office of Strategic Planning and Policy Analysis** advises the Chairman, Commissioners, Bureaus, and Offices on the agency's plans and policies. It also provides research, advice, and analysis of advanced, novel, and non-traditional communications issues.

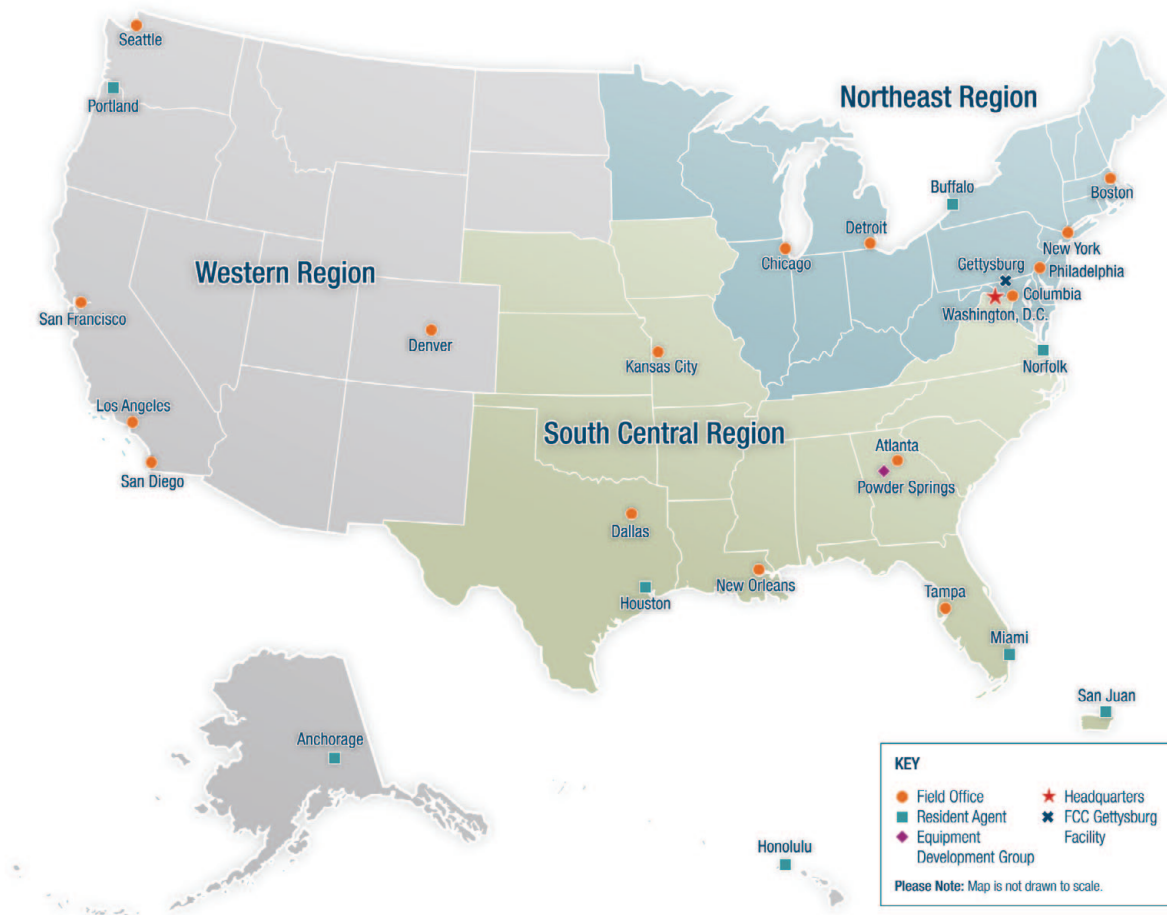
**The Office of Workplace Diversity** ensures that the FCC provides employment opportunities for all persons regardless of race, color, sex, national origin, religion, age, disability, or sexual preference.

Detailed information on specific Bureau and Office responsibilities can be found in Title 47 of the Code of Federal Regulations and on the Commission's website at: [www.fcc.gov](http://www.fcc.gov). The Commission's organizational chart at the end of FY 2015 is on the next page.

# ORGANIZATIONAL CHART



# MAP OF FCC FIELD OFFICES



# STRATEGIC GOALS AND OBJECTIVES

The FCC is responsible to Congress and the American people for ensuring an orderly policy framework within which communications products and services can be efficiently and effectively provided to consumers and businesses. Equally important, the FCC must also address the communications needs of public safety, health, and emergency operations; ensure the universal availability of basic telecommunications service; make communications services accessible to all people; and protect and empower consumers in the communications marketplace. The FCC, in accordance with its statutory authority and in support of its mission, has established eight strategic goals. They are:

Strategic Goal	Objective
<b>Connect America</b>	Maximize Americans' access to – and the adoption of – affordable fixed and mobile broadband where they live, work, and travel.
<b>Maximize Benefits of Spectrum</b>	Maximize the availability of spectrum in order to provide diverse and affordable communications services to consumers.
<b>Protect and Empower Consumers</b>	Empower consumers by ensuring that they have the tools and information they need to make informed choices in their use of communications services; protect consumers from harm in the communications market.
<b>Promote Innovation, Investment, and America's Global Competitiveness</b>	Ensure that all lawful content can be provided, and accessed, without artificial barriers; promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment and in turn enables additional innovation.
<b>Promote Competition</b>	Ensure a competitive market for communications and media services to foster innovation, investment, and job creation; and to ensure consumers have meaningful choice in affordable services.
<b>Public Safety and Homeland Security</b>	Promote the availability of reliable, interoperable, redundant, and rapidly restorable critical communications infrastructures that are supportive of all required services.
<b>Advance Key National Purposes</b>	Through international and national interagency efforts, advance the use of broadband for key national purposes.
<b>Operational Excellence</b>	Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

# PERFORMANCE HIGHLIGHTS FOR FY 2015

During the previous fiscal year, the Commission made significant progress toward accomplishing its performance goals. In the following discussion, we identify achievements in the Commission's major initiatives during the past fiscal year, organized by strategic goal.



# CONNECT AMERICA

Maximize Americans' access to – and the adoption of – affordable fixed and mobile broadband where they live, work, and travel.

For several years, the Commission has recognized that broadband deployment in the United States, especially in rural areas, is failing to keep pace. In this fiscal year, the FCC took significant steps to align its policymaking with marketplace trends, encourage the deployment of broadband networks, and facilitate broadband adoption.

In its 2015 Broadband Progress Report, the FCC updated its advanced broadband benchmark speeds to 25 megabits per second (Mbps) for downloads and 3 Mbps for uploads, to reflect advances in technology and the evolution of the marketplace. Using this updated benchmark, the 2015 report finds that 55 million Americans (17 percent of the population) lack access to advanced broadband. Moreover, a significant digital divide remains between urban and rural America. Over half of all rural Americans lack access to 25 Mbps/3 Mbps service. The divide is even greater on Tribal lands and in U.S. territories, where nearly 2/3 of residents lack access to today's speeds. Thirty five percent of schools across the nation still lack access to fiber networks capable of delivering the advanced broadband required to support today's digital-learning tools. While significant progress in broadband deployment has been made, due in part to the Commission's action to support broadband through its Universal Service Fund ("USF") programs, these advances are not occurring broadly enough or quickly enough. The report concludes that more work needs to be done by the private and public sectors to expand robust broadband to all Americans in a timely way.

With respect to its USF programs, the Commission stated in an Order adopted this fiscal year that broadband networks that are supported by the Connect America Fund ("CAF") must be capable of delivering the same speeds that 99% of urban Americans enjoy. Specifically, the FCC will require companies receiving CAF funding for fixed broadband to serve consumers with speeds of at least 10 Mbps for downloads and 1 Mbps for uploads. That increase reflects marketplace and technological changes that have occurred since the FCC set its previous requirement of

4 Mbps/1 Mbps speeds in 2011. Increasing the CAF speed requirement means that rural Americans, like urban Americans, can tap the benefits provided by broadband through faster web downloads, improved video streaming, and service capable of supporting multiple users in a household.

Taking a major step to close the rural broadband gap, the FCC authorized 10 telecommunications carriers to receive nearly \$9 billion in CAF support over six years for rural broadband deployment. Together with the carriers' own investments, this will expand broadband to nearly 7.3 million currently unserved rural consumers in 45 states and one U.S. territory over the next few years.

The FCC also took important steps to modernize its Lifeline program, seeking comment on restructuring the program to better support 21st Century communications while building on existing reforms to strengthen protections against waste, fraud, and abuse. Lifeline was established in 1985 to help make phone service affordable for low-income Americans. In 2008, the FCC expanded the program to allow participation by low-cost wireless providers. In 2012, the Commission made significant reforms, including a database that essentially ended program abuse caused by multiple Lifeline subscriptions in a household. But now, 30 years after Lifeline was founded, the FCC has concluded it is time for a fundamental, comprehensive restructuring of the program to meet today's most pressing communications need: access to broadband. Broadband has become essential to participation in modern society, offering access to jobs, education, health care, government services, and opportunity. Unfortunately, income remains a significant barrier to broadband adoption. Lifeline helps makes communications services more affordable for low-income consumers by providing a \$9.25 a month subsidy. The item adopted by the FCC proposes and seeks comment on maintaining the same \$9.25 subsidy, and seeks to use that money as efficiently and effectively as possible to deliver modern communications services.

The FCC adopted the Second E-Rate Modernization Order in December 2014 building on actions taken by the Commission in July 2014 to modernize and streamline the schools and libraries universal service support program, known as the E-rate program. The actions taken in the Second E-Rate Modernization Order were the critical next steps toward meeting program goals and broadband connectivity targets. The Order addressed the connectivity gap facing many schools and libraries, particularly in rural areas, by maximizing the options available for purchasing affordable high-speed connectivity. It also refined and extended the budget-based approach to making Wi-Fi funding available to all eligible schools and libraries over the next five years. In order to meet the long term connectivity needs for all schools and libraries, the Order also increased the annual E-rate funding cap to \$3.9 billion indexed annually to inflation. Additionally, the Order built on the administrative improvements by directing the administrator of the E-rate program, the Universal Service Administrative Company (USAC), to establish a performance management system to assess the effectiveness of policy changes and program administration.

The Commission took a number of other actions designed to encourage and facilitate the deployment of broadband networks. For example, it adopted a Report and Order that takes critical steps to promote deployment of the wireless infrastructure necessary to provide the public with ubiquitous, advanced wireless broadband services. The Report and Order updates and tailors the manner in which the FCC evaluates the impact of proposed deployments on the environment and historic properties. It also adopts rules to clarify and implement statutory limitations on state and local government authority to review infrastructure siting applications, including a “deemed granted” remedy if a state or local government fails to act on an eligible facilities modification request under Section 6409(a) of the Spectrum Act.

The FCC took steps to ensure that two community broadband providers could expand their broadband service to unserved and underserved areas by preempting state laws in Tennessee and North Carolina that prevented these and similar broadband providers from meeting local demand for broadband service. A Memorandum Opinion and Order adopted by the Commission finds that provisions of the laws in the two states are barriers to broadband deployment,

investment, and competition; and conflict with the FCC’s mandate to promote these goals. The state laws had effectively prevented cities from expanding broadband service outside their current footprints despite numerous requests from neighboring unserved and underserved communities.

On July 24, 2015, the FCC granted, with conditions, approval of the transfer of control of licenses and authorizations from DIRECTV to AT&T. The approval allowed AT&T to acquire DIRECTV and merge the two companies into one combined entity. The Commission’s decision was based on a careful, thorough review of the record, which included extensive economic analysis and documentary data from the applicants, as well as comments from interested parties. Based on this review, the FCC determined that granting the application, subject to certain conditions, is in the public interest. As part of the merger, AT&T-DIRECTV will be required to expand its deployment of high-speed, fiber optic broadband Internet access service to 12.5 million customer locations as well as to E-rate eligible schools and libraries. In addition, AT&T-DIRECTV is prohibited from using discriminatory practices to disadvantage online video distribution services, will submit its Internet interconnection agreements for FCC review, and will offer broadband services to low-income consumers at discounted rates. Furthermore, in order to address the potential harms posed and to confirm certain benefits offered by the transaction, the FCC subjected the merged entity to conditions. Included among those conditions, the Commission required the appointment of an Independent Compliance Officer, who will have the power and authority to review and evaluate AT&T’s compliance with the merger conditions. AT&T and the FCC’s Office of General Counsel have recently reached an agreement as to the selection of the Independent Compliance Officer.

FCC staff also undertook a thorough review of a proposed acquisition of Time Warner Cable by Comcast. The proposed transaction would have created a company with the most broadband and video subscribers in the nation alongside the ownership of significant programming interests. After collaborating with the Antitrust Division of the Department of Justice, FCC staff informed the companies of their serious concerns that the merger risks outweighed the benefits to the public interest. Subsequently, Comcast announced its decision to abandon the proposed acquisition.

# MAXIMIZE BENEFITS OF SPECTRUM

Maximize the overall benefits of spectrum for the United States.

The Commission adopted a Report and Order that modernizes and reforms policies designed to facilitate small businesses' ability to participate in spectrum auctions and the wireless marketplace. These policies are commonly known as the Designated Entity Rules. The Report and Order adopted common sense reforms to ensure that eligible small businesses and rural service providers are the true recipients of bidding credits. In addition, the Order provides greater flexibility to smaller companies and rural service providers to build wireless businesses that can spur additional investment and bring greater choice to consumers and businesses across the country.

The FCC adopted bidding procedures for next year's incentive auction. The incentive auction is designed to allow market forces to make available high-quality low-band spectrum for mobile broadband.

The Incentive Auction Task Force updated the information package designed to assist broadcasters in their analysis of the opportunities afforded by the incentive auction. The information package included the high and median opening bid prices in each television market for full power and Class A stations eligible to participate in the incentive auction, calculated by using the formula adopted by the FCC in December. The updated package also included additional details on channel sharing and the UHF-to-VHF bidding options, a description of the bidding hierarchy, the bid selection process, and an overview of how the repacking process will work for stations that do not participate or whose bids are not selected.

The FCC began examining the use of new frequency bands for mobile services as part of the Commission's efforts to help meet the growing demand for spectrum. Based on a recommendation from the FCC's Technological Advisory Council, a Notice of Inquiry was adopted that seeks to broaden the Commission's understanding of technological developments that could unlock millimeter wave spectrum above 24 GHz for next-generation mobile wireless services. There have been significant developments in antenna and processing technologies that may allow the

use of higher frequencies than those used today for mobile applications. It was long assumed that higher spectrum frequencies, like those above 24 GHz, could not support mobile services due to technological and practical limitations. New technologies are challenging that assumption and promise to facilitate next generation mobile service, what some call "5G," with the potential to dramatically increase wireless broadband speeds.

The Commission adopted rules for the "Citizens Broadband Radio Service," creating a new spectrum band and taking a major step forward in spectrum policy by authorizing advanced spectrum sharing among commercial and federal operators. As spectrum is a finite resource, this action by the Commission combined spectrum sharing tools and policies to make available 150 megahertz (MHz) of spectrum for mobile broadband and other commercial uses. Specifically, the Report and Order adopted innovative spectrum sharing techniques to create a new three-tiered commercial radio service spanning 3550 MHz to 3700 MHz. The use of advanced spectrum-sharing technology will allow wireless broadband systems to share spectrum with military radars and other incumbent systems, while protecting important federal missions.

The FCC adopted new rules to address the long-term needs of wireless microphone users by providing for continued access to the 600 MHz band and expanding access to other bands. Wireless microphones play an important role in enabling broadcasters and other video programmers to cover breaking news and live sports events. Wireless microphones also enhance event productions in a variety of settings, including theaters and music venues, conventions, houses of worship, and Internet webcasts. Most wireless microphones today operate on unused spectrum in the frequencies currently allocated for TV broadcasting. Wireless microphones also operate in other bands, both on a licensed and unlicensed basis, depending on the particular band. Following the incentive auction, with the repacking of the television band and the repurposing of current television spectrum for



wireless services, there may be fewer frequencies in the television bands available for use by wireless microphone operations. The Report and Order provided a viable path forward for continued operation of wireless microphones for a variety of uses and across various bands.

The Commission adopted a Report and Order that modernizes its Part 15 rules to accommodate growing demand for and encourage innovation in unlicensed use. The new rules will permit unlicensed fixed and personal/portable white space devices and unlicensed wireless microphones to use channels in the 600 MHz and television broadcast bands while

continuing to protect television and other licensed services from harmful interference. Unlicensed devices have grown from basic garage door openers and cordless phones to Wi-Fi and Bluetooth technologies to the “Internet of Things.” The Commission’s Part 15 rules permit unlicensed devices to operate on unused TV channels, the so-called “white space” spectrum. Following the upcoming incentive auction, there may be fewer white space frequencies in the television band for use by such devices. The Report and Order was designed to allow for more robust unlicensed use and to promote spectral efficiency in the 600 MHz band.



# PROTECT AND EMPOWER CONSUMERS

Empower consumers by ensuring that they have the tools and information they need to make informed choices, and protect consumers from harm in the communications market.

The FCC adopted a proposal to protect consumers against unwanted robocalls and spam texts. In a package of declaratory rulings, the Commission affirmed consumers' rights to control the calls they receive. The Commission also made clear that telephone companies face no legal barriers to offering consumers robocall-blocking tools. The rulings were informed by thousands of consumer complaints about robocalls the FCC receives each month. These rulings addressed almost two dozen petitions and other requests that sought clarity on how the Commission interprets the Telephone Consumer Protection Act (TCPA), thereby closing loopholes and strengthening consumer protections already on the books. The TCPA requires prior express consent for non-emergency autodialed, prerecorded, or artificial voice calls to wireless phone numbers, as well as for prerecorded and artificial voice telemarketing calls to residential wireline numbers.

The Commission adopted rules to help ensure that consumers have the information and tools necessary to maintain landline home telephone service during emergencies. The rules require providers of home voice services to provide consumers information and the option to buy backup power so they can use their phone service during electric outages. The FCC is taking this action because home voice service is changing. Traditional, copper-based, landline phone service typically works during electric outages because the service provides its own power. In contrast, modern alternatives usually need backup power to keep operating during a power outage. The new rules are designed to ensure that consumers are making informed decisions, and have options to maintain available communications at home during electric outages. Under the new rules, providers of modern home voice services will be required to ensure that a technical solution for eight hours of standby backup power is available for consumers to purchase

at the point of sale. Within three years, these providers will also be required to offer an option for 24 hours of standby backup power. The decision to purchase backup power will be up to consumers – they will not be forced to purchase or pay for equipment they do not want. The rules also require these providers to inform both new and current customers about service limitations during electric outages and the steps they can take to address those risks, including how to keep their service operational during a multi-day power outage.

The FCC's Technological Advisory Council released recommendations regarding on-device theft prevention features. To encourage a quick pivot from recommendations to implementation, FCC Chairman Wheeler called on the wireless industry to voluntarily support the recommendations, and in July the wireless industry implemented a voluntary commitment to extensive theft-prevention features such as remote-locking and remote-data-wiping. The industry indicated it would continue its efforts to deter theft of smart phones by implementing the recommendations of the Technological Advisory Council working group.

The Commission adopted rules that allow broadcasters to disclose contest rules online as an alternative to broadcasting them over the air. Adopted in 1976, the FCC's Contest Rule requires broadcasters to disclose important contest information fully and accurately, and to conduct contests substantially as announced. This rule change preserves these requirements, but modernizes how broadcast stations can meet their disclosure obligation by announcing their contest terms over the air or by posting that information on an Internet website. The Order also adopted related rules, including the requirement that broadcasters periodically announce the website address where their contest rules can be found.

The FCC confirmed that opt-out notices are required on all fax ads, and such notices must conform to the rules adopted by the Commission in its 2006 Junk Fax Order. Absent a waiver, full compliance is expected and any failure to comply could subject entities to enforcement sanctions, including potential fines, forfeitures, and to private litigation. The FCC's rules require that a "facsimile advertisement that is sent to a recipient that has provided prior express invitation or permission to the sender must include an opt-out notice."

The FCC joined the Global Privacy Enforcement Network (GPEN), an international group of privacy regulators and enforcers. GPEN seeks to promote and support law enforcement cooperation and collaboration on cross-border privacy enforcement actions. GPEN members include approximately fifty data protection authorities



from around the world. The FCC will join the Federal Trade Commission in representing the United States in GPEN proceedings.

The FCC's Enforcement Bureau undertook a number of investigations to enforce the Commission's rules and protect consumers from illegal or unfair practices. Results of these investigations included:

- Four large wireless carriers paid a total of \$353 million to settle allegations that the companies billed customers millions of dollars in unauthorized third-party subscriptions and premium text messaging services.
- A Notice of Apparent Liability ("NAL") proposing a \$100,000,000 fine for a carrier for misleading its customers about unlimited mobile data plans. The NAL alleges that the company severely slowed down the data speeds for customers with unlimited data plans and that the company failed to adequately notify its customers that they could receive speeds slower than the normal network speeds it advertised.

- A \$25 million settlement with a carrier to resolve an investigation into consumer privacy violations at the carrier's call centers in Mexico, Columbia, and the Philippines. The data breaches involved the unauthorized disclosure of almost 280,000 U.S. customers' names, full or partial Social Security numbers, and unauthorized access to protected account-related data, known as customer proprietary network information (CPNI).
- A wireline carrier and its former subsidiary agreed to pay \$10.9 million in penalties for overbilling the FCC's Lifeline program. An FCC investigation showed that the companies continued to provide service to landline customers in the program without recertifying the eligibility of the customers within the 35 days required by Lifeline program rules. As a result of these failures, the companies overbilled the Lifeline

program when they requested reimbursement for participating in the program. The \$10.9 million in penalties resulting from these settlements are in addition to the refund payments that the companies have previously made to fully reimburse the Lifeline program for ineligible customers.

- A carrier agreed to a \$5 million settlement to resolve an inquiry into the company's failure to investigate whether rural customers could receive long distance or wireless calls to landline phones in 26 different rural areas across the country. The carrier will pay a fine of \$2 million and will implement a compliance plan in which it commits to spend an additional \$3 million over the next three years to improve call completion to rural areas across the country.
- Two companies agreed to settlements totaling \$1.35 million for using Wi-Fi monitoring systems to block mobile hotspots at conference facilities where the companies wished to charge a fee to exhibitors and visitors to use their Wi-Fi services.

# PROMOTE INNOVATION, INVESTMENT, AND AMERICA'S GLOBAL COMPETITIVENESS

Promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment and in turn enables additional innovation.

Ending lingering uncertainty about the future of the Open Internet, the Commission set sustainable rules of the road that will protect free expression and innovation on the Internet, and promote investment in the nation's broadband networks. The FCC has long been committed to protecting and promoting an Internet that nurtures freedom of speech and expression, supports innovation and commerce, and incentivizes expansion and investment by America's broadband providers. Broadband networks must be fast, fair and open; principles shared by the overwhelming majority of the nearly four million commenters who participated in the FCC's Open Internet proceeding. Absent action by the FCC, Internet openness is at risk. The Order finds that the nature of broadband Internet access service has not only changed, but that broadband providers have even more incentives to interfere with Internet openness today. To respond to this changed landscape, the Open Internet Order restored the FCC's legal authority to fully address threats to openness on today's networks, including reclassification of broadband Internet access service as a telecommunications service under Title II of the Communications Act. With a firm legal foundation established, the Order sets "bright-line" rules for behavior known to harm the Open Internet, adopts an additional, flexible standard to future-proof Internet openness rules, and protects mobile broadband users with the full array of Open Internet rules. It does so while preserving incentives for investment and innovation by broadband providers by affording them a carefully tailored version of the light-touch regulatory treatment that fostered tremendous growth in the mobile wireless industry.

The Commission moved forward on two actions that modernize the FCC's rules to reflect the current media landscape and better serve consumers. First, the Commission adopted new rules that allow modification of satellite television markets to help ensure that satellite operators carry the broadcast stations of most interest to the community. The Commission also adopted a proposal that initiates the review of the so-called "totality of the circumstances test" for evaluating whether broadcasters, cable television operators and satellite television carriers are negotiating for retransmission consent in good faith. These actions implement two statutory requirements in the Satellite Television Extension and Localism Act Reauthorization (STELAR) Act of 2014 passed by Congress to modernize rules regarding the satellite, cable, and broadcast television markets.

Pursuant to Congress' mandate in STELAR, the FCC also established the Downloadable Security Technical Advisory Committee (DSTAC). The DSTAC's mission is "to identify, report, and recommend performance objectives, technical capabilities, and technical standards of a not unduly burdensome, uniform, and technology- and platform-neutral software-based downloadable security system" to promote the competitive availability of navigation devices (e.g., set-top boxes and MVPD-compatible television sets) in furtherance of Section 629 of the Communications Act. The DSTAC made findings and recommendations in its final report to the Commission on August 28, 2015, meeting the deadline established by STELAR.



# PROMOTE COMPETITION

Ensure a competitive market for communications and media services to foster innovation, investment, and job creation, and to ensure consumers have meaningful choice in affordable services.

The FCC modernized and streamlined its rules governing the distribution of phone numbers by leveling the playing field for interconnected Voice over Internet Protocol (VoIP) services, which are increasingly popular with consumers. Under the previous regime, interconnected VoIP service providers had to obtain numbers from third-party carriers. The Order also improves FCC oversight of the numbering system to help ensure that calls connect nationwide, and provides more accountability and protections for the numbering system. Giving direct access to numbers to interconnected VoIP service providers will promote competitive choice for consumers, including speeding the transfer of a customer's existing number to or from an interconnected VoIP provider.

Taking the next major step in its review of competition in the marketplace for business data services (also referred to as special access services), the FCC's Wireline Competition Bureau, on behalf of the Commission, began to make industry data available for public review, pursuant to the terms of a protective order safeguarding competitively sensitive information. Business data services are a wholesale data service widely purchased by businesses and institutions that provides dedicated, guaranteed transmission of high volumes of critical data. The FCC has been collecting data to analyze the state of competition in the special access market, which has annual revenues of approximately \$40 billion.



# PUBLIC SAFETY AND HOMELAND SECURITY

Promote the availability of reliable, interoperable, redundant, and rapidly restorable critical communications infrastructures that are supportive of all required services.

The Commission proposed rules to preserve reliable 911 service as technology evolves. The proposals address the increasingly complex nature of the nation's 911 infrastructure and respond to a recent trend of large-scale "sunny day" 911 outages (caused by software and database errors, instead of storms or disasters). Technology transitions, including the move to IP-based networks, can vastly improve 911 calls and help first responders during emergencies.

The FCC also adopted rules to help emergency responders better locate wireless callers to 911. These updates to the Commission's Enhanced 911 (E911) rules respond to Americans' increasing use of wireless phones to call 911, especially from indoors, where traditional 911 location technologies often do not work effectively or at all. The new rules take advantage of technological developments that will allow for more accurate location information to be transmitted with indoor 911 calls. The rules establish clear and measurable timelines for wireless providers to meet indoor location accuracy benchmarks. The Commission noted that no single technological approach will solve the challenge of indoor location, and no solution can be implemented overnight. The new requirements therefore enable wireless providers to choose the most effective solutions and allow sufficient time for development of applicable standards, establishment of testing mechanisms, and deployment of new location technology.

The Public Safety and Homeland Security Bureau announced the availability of the FCC's Public Safety Answering Point (PSAP) Text-to-911 Readiness and Certification Registry, which lists PSAPs that are ready to receive text-to-911 messages, and providing notice to Commercial Mobile Radio Service providers and other providers of interconnected text messaging services of the notice date of PSAP readiness.



The FCC reached settlements with three carriers totaling nearly \$35 million to resolve investigations into 911 service outages. These outages left consumers in numerous states without the capability to reach 911 service for several hours at a time.

Three broadcast companies were fined a total of \$2.4 million for misusing the Emergency Alert System (EAS) warning tones during broadcasts. False broadcast of an emergency signal can cause unnecessary public concern and undermine the urgency of real alerts. Broadcast or transmission of emergency tones outside an emergency or authorized test violates FCC regulations designed to protect the integrity of the EAS system.

# ADVANCE KEY NATIONAL PURPOSES

Through international and national interagency efforts, advance the use of broadband for key national purposes.

The Commission adopted rules to ensure individuals who are blind or visually impaired can quickly access critical information shown on television in the event of an emergency. In addition, the Commission sought comment on other possible accessibility issues facing those who are blind or visually impaired. These additional steps implement provisions of the Twenty-First Century Communications and Video Accessibility Act of 2010 (CVAA) related to accessible emergency information.

The FCC made permanent its program that distributes communications equipment to low-income individuals who are deaf-blind. Known as “iCanConnect,” the National Deaf-Blind Equipment Distribution Program provides equipment to make telecommunications, advanced communications, and the Internet accessible to Americans who have significant vision and hearing loss. Through the program, deaf-blind consumers who meet income requirements can receive free communications equipment designed for people with combined vision and hearing loss. Installation, training, and other technical support, including individual assessments of each consumer’s specific accessibility needs, are also available.

FCC Chairman Tom Wheeler announced that the agency will offer an open source video access platform that will enable Americans who are

deaf, hard of hearing, deaf-blind, or who have a speech disability to communicate directly with federal agencies and businesses in American Sign Language (ASL). The platform will provide open source applications for mobile and desktop operating systems which, along with direct video calling, will allow for text and high-quality voice communications. In addition, the FCC will provide applications that relay service users can download on their smartphones or desktops in order to communicate directly with agency representatives.

The FCC formed a Disability Advisory Committee created under the Federal Advisory Committee Act to provide a vehicle for consumers and other stakeholders to provide feedback and recommendations to the Commission on a wide array of disability issues within the FCC’s jurisdiction. The new body will enable the FCC to keep pace with evolving communications accessibility issues and build on its record of ensuring access to communications and video programming for people with disabilities. Some of the issues the Committee will address include telecommunications relay services, closed captioning, video description, access to emergency information on television, and telephone emergency services, device accessibility, IP and other network transitions, as well as new disability and accessibility issues that arise.





# OPERATIONAL EXCELLENCE

Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

The Commission adopted a plan to modernize the agency's field operations within the Enforcement Bureau. The proposal, when fully implemented, will improve efficiency; better position the agency to do effective radio interference detection and resolution; meet other enforcement needs; and save millions of dollars annually. The current structure of the FCC's field operations is over 20 years old, during which time significant technological changes have taken place and available funding has decreased. The new field structure was adopted after the Enforcement Bureau, Office of the Managing Director, and expert outside consultants conducted a thorough, data-driven analysis of the agency's field operations to maximize effectiveness, align them to the overall mission and priorities of the FCC, improve equipment and advanced technologies for field agents, and ensure the most efficient use of the agency's resources. The field reorganization plan aligns the field's structure, operations, expenses, and equipment with the agency's priorities such as radio frequency interference. It also prepares the field to address future enforcement needs in an ever more complex spectrum environment, and aligns field operations to support this mission. Through this plan, the Commission is maintaining a commitment to respond in a timely manner to interference issues anywhere in the nation, including responding to all public safety spectrum complaints within one day.

The FCC launched a new online consumer help center that will more efficiently link consumers to the information they need, as well as make it easier for consumers to file complaints and get responses to their concerns. The consumer help center is part of the FCC's broader efforts to reform its processes to better serve the public. By quickly and efficiently managing consumer complaints, the FCC will help protect consumers and give them a greater voice in its policy initiatives to improve communications services for all. The help

center will also streamline the process of synthesizing and analyzing consumer complaint trends, and will make more of that data readily accessible to the public. Better monitoring of these trends will help the FCC, consumers, and industry identify broader problems and shape policy that will promote better service.

The FCC information technology team was recognized for its role in developing the new consumer help desk with the Association for Federal Information Resources Management's (AFFIRM) Leadership Award in Cloud Computing. A first-time AFFIRM Leadership Award recipient, the FCC was the only recipient of a team award from AFFIRM this year. The new system uses a cloud-based Software as a Service model, which embodies the FCC's approach to IT moving forward. In order to develop such a system using the traditional in-house, "on-premise" model, the FCC estimated it would require approximately \$3.2 million over one to two years. The new system's price tag of \$450,000 represents a savings of 85 percent to taxpayers. From purchase of the technology to the launch of the platform, the process took approximately six months to complete.

An online filing module is available for several types of filings that previously could only be filed on paper. In addition, the Commission released two orders directing that certain types of filings may be submitted through the "Submit a Non-Docketed Filing" module of its Electronic Comment Filing System (ECFS).

The FCC undertook large-scale information technology improvements toward the end of FY 2015. These efforts involved the move of more than 200 servers to a commercial service provider and the transfer of over 400 applications associated with those servers. This move will help reduce the costs to maintain the systems, improve their resiliency, and allow the shift of legacy applications to cloud solutions in the long term.

# FY 2015 FINANCIAL INFORMATION



# HOW WE MANAGED OUR FUNDS: MESSAGE FROM OUR CHIEF FINANCIAL OFFICER

I am pleased to present the Commission's financial statements for fiscal year (FY) 2015 and to report that the Commission's auditors issued an unmodified audit opinion on each of the Commission's financial statements for FY 2015. Furthermore, I am proud to say that this is the tenth straight year the Commission has received an unmodified opinion. The Commission is proud of the work of its staff over the last ten years to obtain and maintain an unmodified opinion.

Throughout FY 2015, the Commission worked diligently on closing audit findings from previous audits. As part of this effort, the Commission made progress on resolving matters raised by its auditors in their FY 2014 audit report.

The Commission is committed to improving its financial processes, demonstrating fiscal integrity, strengthening technology controls, minimizing the risk of improper payments, and reducing improper payments to the customers and beneficiaries of its reporting components. The Commission continues to make improvements to the fiscal management, administration, and oversight of funds reported by the Commission. During FY 2015, the Commission completed the task of upgrading its current financial management system, known as Genesis, from release 6.3 to release 7.0. This upgrade enabled the FCC to remain current with baseline software releases, provide the opportunity to enhance the user experience, and streamline current business scenarios to support the FCC's continued goal of aligning information technology solutions with the FCC business environment, policy goals, and Federal guidance. The FCC analyzed the impact and the level of effort for the enhancements, identified those features that provided a major benefit to FCC, and enhanced operational efficiency and internal controls.

The Commission has also continued its efforts to assess and improve internal controls as it works to adhere to the requirements of OMB Circular No. A-123. Most notably, the FCC made improvements to its internal control assessment process as a result of the Government Accountability Office's (GAO) update of its internal control guidance for Federal agencies, *Standards for Internal Control in the Federal Government*, which is commonly known as the Green Book. Specifically, the FCC implemented a new entity level assessment tool and adopted a new program assessment tool for the programs that comprise the largest portions of its budget as well as its operational units. Furthermore, during the current fiscal year, the Commission continued to work with the administrators of its three reporting components, Universal Service Fund (USF), Telecommunications Relay Service, and North American Numbering Plan, to strengthen their internal control frameworks by integrating the updates from GAO's Green Book. The Commission also has a Compliance and Oversight Group under my direction to make sure all audit recommendations are remediated and to oversee the three reporting components. This Group also is responsible for working with the FCC's Bureaus and Offices to obtain their annual assertion letters and their related risk assessments. In addition, during this fiscal year the Commission hired an independent audit firm to perform a risk assessment of the USF's Schools and Libraries Program, which was overseen by my staff. The Commission continues to receive unmodified opinions over its consolidated financial statements; however, the Commission will continue to focus its efforts to make its internal controls for operations more effective and efficient as it moves forward.

While FY 2015 was a year in which the Commission took several positive steps towards strengthening its internal control environment, more work must be done in FY 2016 and beyond. For instance, the FY 2015 audit report points out one material weakness, one significant deficiency, and one instance of non-compliance with laws and regulations. The auditor's primary areas of concern relate to USF budgetary accounting, information technology controls, and non-compliance with the Debt Collection Improvement Act. The FCC concurs with the recommendations made by the independent auditors in their reports and appreciates their diligence, coordination, and communication throughout the audit process.


First, I would like to address the material weakness. In furtherance of a finding that arose in FY 2014, the independent auditor identified a continuing material weakness in the control environment over USF budgetary accounting. The material weakness resulted from the Universal Service Administrative Company's (USAC) budgetary accounting activities for USF. The auditors noted for the High Cost Program that USAC did not prepare a detailed procedure document outlining the process used to calculate the initial obligations and liquidation of those obligations. The auditors also noted for the Schools and Libraries Program that weaknesses exist in the formal lines of communication between the USAC accounting team, the Schools and Libraries program managers, and the third party service provider which resulted in improper accounting transactions.

The accounting errors that the auditors noted above were corrected by USAC and the FCC and do not affect the Commission's FY 2015 financial statements. However, the auditors noted that corrections need to be made to USAC's processes and internal controls to avoid these types of errors from recurring in the future. The FCC will work with USAC to ensure that USAC takes the proper corrective action to resolve these recommendations and strengthen its internal controls.

Second, the Commission is committed to remediating information technology control deficiencies. The Commission's information technology team worked diligently throughout FY 2015 to make improvements and to resolve audit findings from previous year audits. The auditors recognized the FCC has improved its overall information security program and its compliance with the Federal Information Security Management Act (FISMA) and related guidance. As the organization continues to improve, upgrade, and replace processes, software, and systems, these actions will further strengthen the Commission's information security program.

Finally, the auditors noted one instance of non-compliance related to the Debt Collection Improvement Act. While the Commission has not fully complied with the Debt Collection Improvement Act, the auditor's report pointed out that the extent of debts not transferred to Treasury had decreased from \$10.4 million as of September 30, 2014 to \$2.6 million as of September 30, 2015. The Commission has a plan in place to complete the transfer of the remaining eligible debt to the Treasury in FY 2016. With these corrective actions already in motion, the FCC hopes that it will be able to have this non-compliance issue closed during the FY 2016 financial audit cycle.

I look forward to FY 2016 and making every effort to continue to strengthen the Commission's and the reporting components' internal control environments. The Commission will work to conduct the historic incentive auction, to continue to modernize its financial systems to improve the utilization of resources and accuracy of reporting, and to improve the effectiveness of the Commission's and its reporting components' financial operations.



Mark Stephens  
Chief Financial Officer  
February 17, 2016

# KEY FY 2015 FINANCIAL MANAGEMENT ACCOMPLISHMENTS

Area	Accomplishment
Stewardship over Funds	<p>The FCC continues to improve the administration of the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) programs. In coordination with the Universal Service Administrative Company (USAC) and the Department of Justice, the FCC pursues wrongdoers who seek to defraud the USF. For example in FY 2015, a wireline carrier and its former subsidiary agreed to pay \$10.9 million in penalties for overbilling the FCC's Lifeline Program. The penalties are in addition to payments the companies have already paid to fully reimburse the Lifeline Program for ineligible customers.</p>
	<p>The Commission also continues its efforts to assess and improve internal controls. Most notably, the FCC made improvements to its internal control assessment process as a result of the Government Accountability Office's (GAO) update of its internal control guidance for Federal agencies. The Commission continues to work with the administrators of its three reporting components, USF, TRS, and the North American Numbering Plan, to strengthen their internal control frameworks by integrating the updates from GAO's Green Book.</p> <p>The Commission also has a Compliance and Oversight Group (COG) to make sure all audit recommendations are remediated and to oversee the three reporting components. This Group is responsible for working with the FCC's Bureaus and Offices to obtain their annual assertion letters and their related risk assessments.</p>
Process Improvements	<p>The FCC Financial Operations Research, Reconciliation and Reporting Group (RRRG) is responsible for reporting and reconciling with the U.S. Treasury the disbursement and collection of all FCC funds. This area consolidates, reports and reconciles thousands of transactions on a bi-weekly basis on the SF-224 report.</p>
	<p>In FY 2016, the FCC transitioned to a full Government Wide Accounting (GWA) agency in the U.S. Treasury Central Accounting and Reporting System (CARS). The Treasury is responsible for the collection of all federal agency budgetary and proprietary data to produce federal financial publications, provide useful information, and streamline the central accounting, reporting, and reconciliation processes. CARS is a real-time, event driven process that eliminates multi-step reconciliations by requiring agencies to capture and classify all payment, collection, and intra-governmental transactions to valid Treasury symbol components at the point of initiation, and post directly to the agency's Fund Balance with Treasury to enable better financial management.</p> <p>By becoming a full CARS participant in the Government-wide Treasury Account Symbol Adjusted Trial Balance System, the Central Accounting Reporting System, and the Intra-Governmental Transactions / Score Card, the FCC is in a sound position to continue both agency and Government-wide financial management systems improvements in future years.</p> <p>The Debt Collection Improvement Act of 1996 enhances the ability of the Federal Government to service and collect debts. The requirement for all federal agencies is to transfer 100% of eligible delinquent debt to the Treasury for delinquent debt collection activities. In FY 2015 the FCC transferred 98.6% of all eligible delinquent debt over 120-days to the Treasury. While the FCC did not meet the 100% goal in FY 2015, in FY 2016, the agency has implemented an aggressive plan and clean-up effort along with financial operational and process changes in order to meet the 100% mandate.</p>
Systems Modernization	<p>The FCC completed several minor upgrades of its current financial management system (Genesis). These upgrades enhanced user experiences and streamlined current business scenarios to support the FCC's mission of aligning IT solutions with the FCC business environment, policy goals, and Federal guidance. Genesis improves internal controls and enhances operational efficiency; eliminates redundant data entry through increased integration; and implements tools that enhance budget formulation and performance.</p> <p>The FCC joined Treasury's Centralized Receivables System (CRS) "pilot" program, and during this initiative transferred all of its unpaid FY 2015 Regulatory Fee bills to CRS. The FCC is now a full participant in the CRS program. To further enhance efficiency, the FCC built an automated interface to receive daily updates from Treasury's CRS. As a full participant, this will now streamline the bill collection process and improve the FCC Debt Collection Improvement Act of 1996 compliance percentage.</p>

# OUR FINANCIAL RESULTS

This section contains condensed financial statement information, a description of our major balance sheet components, cost of operations, and budgetary resources. We also present the results of our performance in the area of financial management using established metrics. Our complete financial statements are available on the FCC Web site at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>.

**Net Position.** As of September 30, 2015 the agency's total net position was \$8,449 million, consisting of Cumulative Results of Operations of \$8,446 million and Unexpended Appropriations of \$3 million.

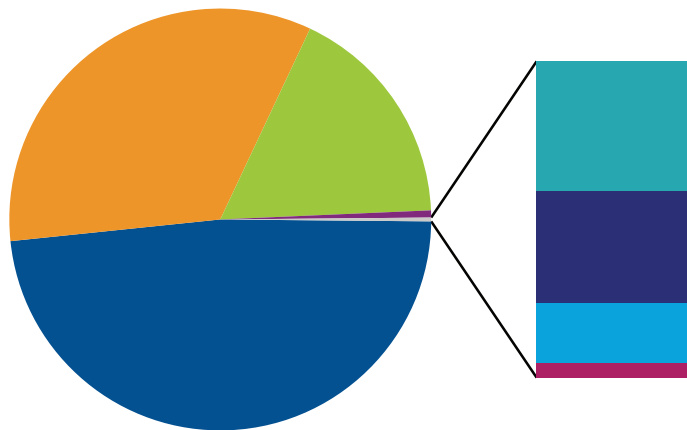
## FY 2015 and 2014 Consolidated Financial Position

<b>Net Financial Condition (Dollars in Thousands)</b>	<b>2015</b>	<b>2014</b>
<b>Intragovernmental</b>		
Fund Balance with Treasury	\$11,659,650	\$537,984
Investments	8,136,062	7,685,783
Accounts Receivable	21,152	711
Other	3,719	1,063
<b>Total Intragovernmental</b>	<b>\$19,820,583</b>	<b>\$8,225,541</b>
Cash and Other Monetary Assets	\$131,796	\$181,519
Accounts Receivable, net	4,184,884	842,736
Direct Loans Receivable, net	3,234	—
General Property & Equipment, net	28,658	34,443
Other	13,024	13,024
<b>Total Assets</b>	<b>\$24,182,179</b>	<b>\$9,297,263</b>
<b>Intragovernmental</b>		
Accounts Payable	\$548	\$1,575
Custodial	540,289	325,448
Other	8,477	4,831
<b>Total Intragovernmental</b>	<b>\$549,314</b>	<b>\$331,854</b>
Accounts Payable	\$230,818	\$115,845
Deferred Revenue	14,314,772	56,520
Prepaid Contributions	48,290	47,625
Accrued Liabilities for Universal Service	557,796	670,755
Other	32,142	33,338
<b>Total Liabilities</b>	<b>\$15,733,132</b>	<b>\$1,255,937</b>
Unexpended Appropriations — Other Funds	\$2,868	\$3,059
Cumulative Results of Operations	8,446,179	8,038,267
<b>Total Net Position</b>	<b>\$8,449,047</b>	<b>\$8,041,326</b>
<b>Net Cost of Operations</b>	<b>\$9,170,190</b>	<b>\$8,824,009</b>
<b>Total Budgetary Resources</b>	<b>\$14,608,968</b>	<b>\$14,088,164</b>

# ASSETS

The chart below presents the total assets of the Commission as of September 30, 2015. The large Fund Balance with Treasury balance of \$11,660 million, mainly results from \$11,100 million collected in the FCC Auction 97 (AWS-3). The Accounts Receivable balance of \$4,185 million is primarily composed of denied bidding credits from FCC Auction 97 (AWS-3) totaling \$3,335 million.

**FY 2015 Total Assets by Category (Dollars in Thousands)**



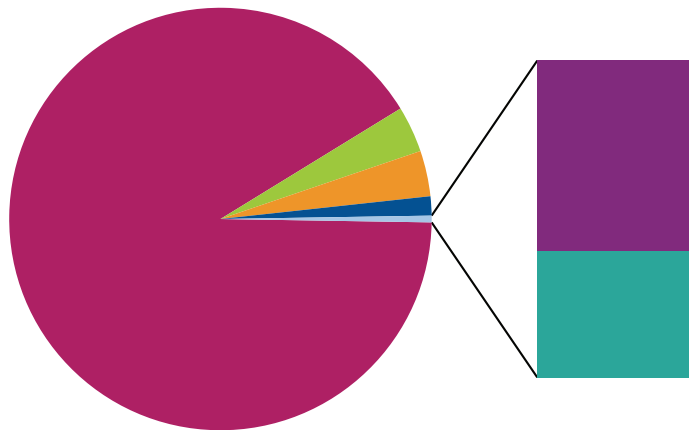
Category	%	Assets
Fund Balance with Treasury	48%	\$11,659,650
Intragovernmental Investments	34%	\$8,136,062
Accounts Receivable, net	17%	\$4,184,884
Cash and Other Monetary Assets	1%	\$131,796
General PP&E	<1%	\$28,658
Remaining Intragovernmental Assets	<1%	\$24,871
Other Assets	<1%	\$13,024
Direct Loans Receivable, net	<1%	\$3,234
<b>Total Assets</b>		<b>\$24,182,179</b>



# LIABILITIES

The chart below presents the total liabilities of the Commission as of September 30, 2015. The Commission's most significant liabilities are Deferred Revenue of \$14,315 million and Accrued Liabilities for Universal Service of \$558 million, which alone accounted for 95 percent of total liabilities as of September 30, 2015. The large Deferred Revenue balance is mainly due to winning bids of licenses that have not been granted as of September 30, 2015 from FCC Auction 97 (AWS-3). The Accrued Liabilities for Universal Service represent the expected October (FY 2016) payments for the Telecommunications Relay Service Program and the Universal Service Fund High Cost and Lifeline Programs. Total Intragovernmental is primarily composed of custodial collections earned on Spectrum auctions and miscellaneous receipts.

**FY 2015 Total Liabilities by Category (Dollars in Thousands)**

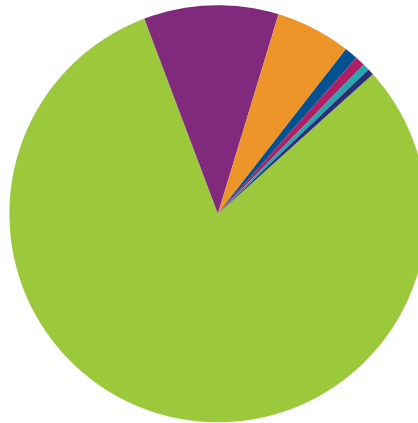


Category	%	Liabilities
Deferred Revenue	91%	\$14,314,772
Accrued Liabilities for Universal Service	4%	\$557,796
Total Intragovernmental	4%	\$549,314
Accounts Payable	1%	\$230,818
Prepaid Contributions	<1%	\$48,290
Other Liabilities	<1%	\$32,142
<b>Total Liabilities</b>		<b>\$15,733,132</b>

# COSTS

The chart below presents the total gross costs of each Commission program as of September 30, 2015. The costs are aligned with the eight strategic goals of the Commission: Connect America; Maximize Benefits of Spectrum; Promote Innovation, Investment, and America’s Global Competitiveness; Promote Competition; Protect and Empower Consumers; Public Safety and Homeland Security; Advance Key National Purposes; and Operational Excellence. Gross costs for each goal are presented individually while revenue is presented in total rather than by goal. The program costs for the USF are allocated to Connect America, Promote Competition, and Advance Key National Purposes and the program costs for the TRS and NANP are allocated to Promote Competition. As a result of the accounting for these activities, the cost for some goals may be significantly higher than the cost of other goals. Contributions received for the USF and TRS programs are shown on the Statement of Changes in Net Position and do not directly offset the costs of these programs on the Statement of Net Cost.

**FY 2015 Total Gross Costs (Dollars in Thousands)**

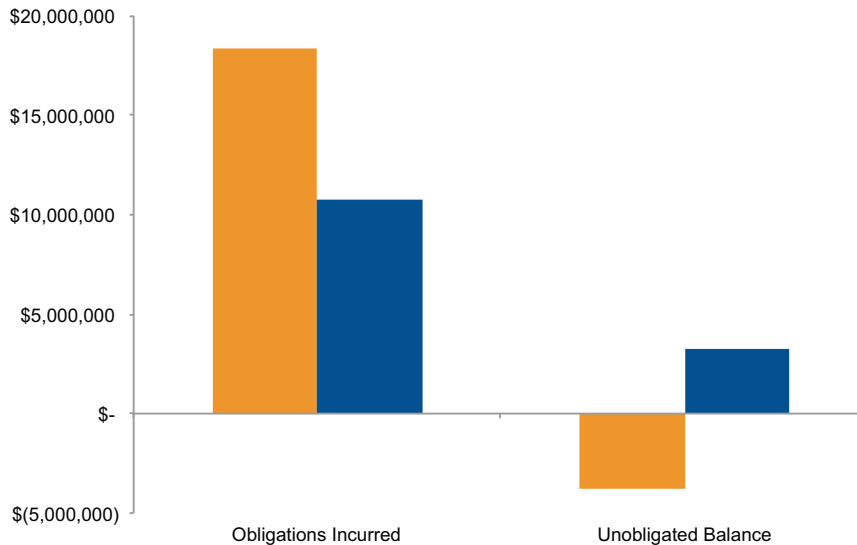


Category	%	Gross Costs
Promote Competition	81%	\$7,803,173
Advance Key National Purposes	10%	\$1,005,997
Connect America	6%	\$561,775
Maximize Benefits of Spectrum	1%	\$100,119
Operational Excellence	1%	\$73,662
Protect and Empower Consumers	1%	\$50,790
Public Safety and Homeland Security	<1%	\$46,681
Promote Innovation, Investment, and America's Global Competitiveness	<1%	\$11,343
<b>Total Gross Costs</b>		<b>\$9,642,197</b>

# BUDGETARY RESOURCES

The graph below presents the status of budgetary resources comparatively between FY 2015 and FY 2014. The Commission receives most of its budgetary authority from appropriations. Budgetary resources consist of the resources available to the Commission at the beginning of the year, plus appropriations, spending authority from offsetting collections, and other budgetary resources received during the year. The Commission had \$14,609 million in budgetary resources of which \$18,382 million was obligations incurred and \$(3,773) million remained unobligated. The abnormal balance in the current year is related to the Connect America Fund Phase II (CAF) obligations. However since CAF is a program within the USF it is exempt from the provisions of the Anti-deficiency Act. Congress provided a waiver to USF making it exempt from the provisions of the Anti-deficiency Act until December 31, 2016.

**FY 2015 and 2014 Total Budgetary Resources (Dollars in Thousands)**

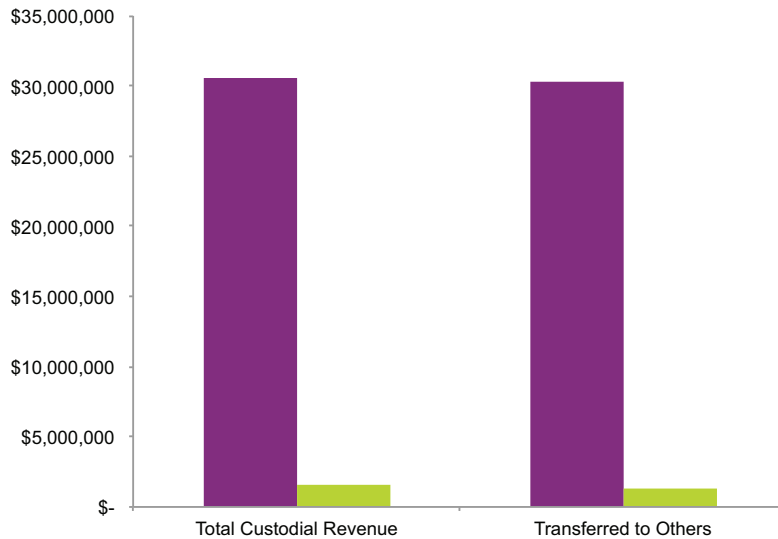


Category	FY 2015	FY 2014
Obligations Incurred	\$18,381,809	\$10,790,933
Unobligated Balance	\$(3,772,841)	\$3,297,231
<b>Total Budgetary Resources</b>	<b>\$14,608,968</b>	<b>\$14,088,164</b>

# CUSTODIAL ACTIVITY

The Commission recognized \$30,562 million of custodial revenue during FY 2015. From this balance, \$18,628 million in auction funds were transferred to the Public Safety Trust Fund that is managed by the National Telecommunications & Information Administration, \$11,500 million in auction funds were transferred to the Spectrum Relocation Fund which is managed by Office of Management and Budget, and \$113 million in fines and penalties were transferred to the U.S. Treasury. The \$215 million increase in amounts yet to be transferred is primarily a result of the FCC holding Auction Custodial Collections for future years at September 30, 2015. The graph below presents the total amount of custodial revenue and amounts transferred to others comparatively between FY 2015 and FY 2014.

**FY 2015 and 2014 Custodial Activity (Dollars in Thousands)**



Category	FY 2015	FY 2014
Total Custodial Revenue	\$30,561,985	\$1,605,803
Transferred to Others	\$30,241,144	\$1,263,099
<b>Total Custodial Activity</b>	<b>\$60,805,144</b>	<b>\$2,870,916</b>

# FINANCIAL MANAGEMENT INDICATORS

## FY 2015 Financial Management Indicators

Indicator	Status
<b>Debt Management</b>	
Eligible delinquent debt transferred to Treasury	98.63%
<b>Funds Management</b>	
Fund balance with Treasury (identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger on a net basis)	100% reconciled
<b>Payment Management</b>	
Timely vendor payments (per Prompt Payment Act)	92.07%
Percentage of interest penalties to vendor invoices paid	0.009%
Timely payments for Centrally Billed (travel) Accounts (CBA)*	100%
Timely payments for employee Purchase Cards*	100%
Percentage of travel vouchers processed within 10 business days	92.80%

\*The Office of Management and Budget threshold for delinquency is 61 days.



Federal  
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