

Auditor's Annual Independence and Objectivity Certification**SUPPORTING STATEMENT**

The Commission is requesting an extension (no change) of this information collection in order to obtain the full three year clearance from the Office of Management and Budget (OMB).

A. Justification:

1. Section 220 of the Communications Act of 1934, as amended, 47 U.S.C. Section 220, allows the Commission, at its discretion, to prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to this Act, including the accounts, records, and memoranda of the movement of traffic, as well as of the receipts and expenditures of moneys.

Section 219(b) of the Communications Act of 1934, as amended, 47 U.S.C. Section 219(b), authorizes the Commission by general or special orders to require any carriers subject to this Act to file annual reports concerning any matters with respect to which the Commission is authorized or required by law to act. 47 CFR Section 43.21 of the Commission's Rules details that requirement.

Section 201(b) of the Communications Act of 1934, as amended, 47 U.S.C. Section 201(b), requires that common carriers establish just and reasonable charges, practices and regulation for the services they provide; the Commission is responsible for regulating the telecommunications industry and ensuring that common carriers abide by its mandates. Since the carriers are allowed to provide nonregulated services, the Commission must establish mechanisms to prevent carriers from imposing on ratepayers the costs and risks of nonregulated ventures.

Section 64.904 of the Commission's Rules, 47 CFR 64.904, requires certain local exchange carriers, in connection with their cost allocation manual filings and the accompanying financial reports the Commission prescribes under 47 U.S.C. Sections 220, 219(b) and 201(b), to have an attest engagement performed by an independent auditor every two years, covering the prior two year period, or have a financial audit performed by an independent auditor every two years, covering the prior two year period.

- (a) The attest engagement is to be performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA), except as otherwise directed by the Chief, Enforcement Bureau.
- (b) The audit is to be conducted in compliance with generally accepted auditing standards (GAAS), except as otherwise directed by the Enforcement Bureau.

In the attached Responsible Accounting Officer letter (RAO), the Commission is simply making a current AICPA requirement under its attestation standards and under GAAS explicitly applicable to the 47 CFR Section 64.904 audit, *i.e.*, we are applying the Section 64.904 requirement that the engagements be performed in accordance with AICPA attestation standards or GAAS.

In the attached Responsible Accounting Officer letter (RAO 28), the Commission is simply making current requirement for audits explicitly applicable to the 47 CFR Section 64.904 independent audits, *i.e.*, we are applying the Section 64.904 requirement that the audits be

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performed in accordance with AICPA attestation standards or GAAS, as applicable. Specifically, RAO 28 requires that carriers' independent auditors annually:

- (a) disclose in writing all relationships between the auditor and its related entities and the carrier and its related entities that in the auditor's professional judgment may reasonably be thought to bear on independence;
- (b) confirm in writing that in its professional judgment it is independent of the carrier; and
- (c) discuss the auditor's independence.

As noted on the Form OMB 83-I, this information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

Statutory authority for this information is contained in: 47 U.S.C. sections 220, 219 and 201 of the Communications Act of 1934, as amended.

2. The requirements will be used by the Investigations and Hearings Division (IHD) to determine whether the independent auditors are performing their audits independently and unbiased of the carrier they audit.
3. The collection makes no use of technological collection techniques or other forms of information technology. Respondents are required to confirm in writing that their professional judgment is independent of the carrier.
4. No duplication of the required data exists outside the agency. There is no other known existing information that would serve our regulatory purposes.
5. The collections do not involve small businesses as defined by the Regulatory Flexibility Act.
6. If the collection were not made or were made less frequently, the Commission would not have full assurance that the auditors are independent of the carriers and are therefore objectively reviewing carrier compliance with Commission rules. The rules require independent auditors to annually submit a written declaration of independence and objectivity.
7. This collection of information is consistent with the guidelines contained in 5 CFR Section 1320.5(d)(2).
8. The Commission published a notice in the *Federal Register* initiating a 60-day comment period on December 4, 2008 (73 FR 73932). No comments were received as a result of this notice.
9. No gifts or payments will be given to respondent for this collection.
10. The information contained in this collection is not of a confidential nature. Respondents submitting information that they deem proprietary may solicit confidential treatment in accordance with the procedures described in 47 CFR Section 0.459.
11. This collection does not address any private matters of a sensitive nature.

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12. The following represents the estimated hour burden of the collection of information. This estimate is based on FCC staff's knowledge and familiarity with the availability of the data required.

Number of Respondents: 4

Frequency of Response: Annual reporting requirement.

We anticipate respondents to file their annual certification once a year.

Total Number of Responses Annually: 4

4 respondents x 1 annual certification/annum = 4 responses

Annual Hour Burden: 20 hours

The Commission estimates that respondents require approximately 5 hours per independent auditor to file a written report.

4 respondents x 5 hours/report = **20 hours**

Total "In House" Cost: \$1,295.00

We assume that the respondents will use personnel comparable to a GS-14 federal employee (\$64.75/hour) to prepare and file the written report.

\$64.75/hour x 4 reports x 5 hours/report = \$1,295.00

13. Estimates of annualized cost to respondents for the hour burden.

The Commission estimates that respondents will prepare their annual certifications using "in house staff;" as a consequence, there is no cost burden to the respondents resulting from the collection of information.

Total Annual Cost: \$0.00

14. Cost to the Federal Government. The Commission will use GS-14 employees to review these written reports.

4 reports x 5 hours to review x \$64.75 = \$1,295.00

15. The Commission has made the following adjustments:

- (a) There has been a decrease in the number of respondents—from 5 to 4 respondents. This resulted from an adjustment in the number of independent auditors (respondents) who audit local exchange carriers (LECs) subject to accounting requirements of Sections 201, 219, and 220 the Communications Act of 1934, as amended, having decreased from five to four due to a decrease in the number of audits.
- (b) Total annual hourly burden has decreased from 25 hours to 20 hours as a result of the decrease in the number of respondents.

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There are no program changes.

16. The data will not be published.

17. OMB approval of the expiration date of the information collection will be displayed at 47 CFR Section 0.408.

18. There are no exceptions to the Certification Statement in Item 19.

B. Collections of Information Employing Statistical Methods:

This information collection does not employ any statistical methods.