



UNITED STATES GOVERNMENT  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF INSPECTOR GENERAL

## MEMORANDUM

**DATE:** August 21, 2018

**TO:** Chief, Wireline Competition Bureau

**FROM:** Inspector General *for MM*

**SUBJECT:** Performance Audit of a USF High Cost Program Beneficiary, Adak Eagle Enterprises, LLC (Audit Report no. 15-AUD-02-01)

The Office of Inspector General (OIG) is providing the final audit report for the performance audit of a USF High Cost Program beneficiary, Adak Eagle Enterprises, LLC. The audit was performed consistent with the OIG's authority under the Inspector General Act of 1978, as amended, including, but not limited to sections 2(1)(2) and 4(a)(1). It is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.

The objectives of the audit were to determine 1) the appropriateness of the Beneficiary's past and projected allocations of Corporate Operations Expenses among its regulated and non-regulated companies, 2) whether the Beneficiary's related party transactions were in compliance with FCC regulations and resulted in appropriate cost reimbursements from the Universal Service Fund, and 3) whether the Beneficiary's representations made to the FCC during the course of its waiver petition process were materially accurate. The audit included FCC High Cost Program funding years 2012 through June 2015.

Our audit found that AEE claimed expenses that were ineligible for reimbursement from the Universal Service Fund. We also found that AEE did not follow FCC cost allocation rules. Because we did not test AEE's controls over financial reporting, we did not make any conclusions and are not reporting on those controls. Additionally, we did not obtain sufficient audit evidence to make conclusions and report on objectives two and three.

This report is marked Nonpublic -For-Internal Use Only, and is intended solely for the information and use of the FCC, Universal Service Administrative Company, and AEE. To the extent possible, a redacted public version of the final report will be posted to the OIG's webpage.

If you have any questions concerning the audit, please contact Robert McGriff, Assistant Inspector General for Audit, at (202) 418-0483 or [robert.mcgriff@fcc.gov](mailto:robert.mcgriff@fcc.gov); or Sharon Spencer, Deputy Assistant Inspector General for USF Audits, at (202) 418-0477 or [sharon.spencer@fcc.gov](mailto:sharon.spencer@fcc.gov).

cc: Managing Director  
Chief of Staff, Office of Managing Director  
Chief Financial Officer

Attachment