



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: July 18, 2018

TO: Chief, Wireline Competition Bureau
Managing Director

FROM: Inspector General *for RM*

SUBJECT: Performance Audit of the Federal Communications Commission's Universal Service Fund, High Cost Program, Connect America Fund, Phase I Incremental Support (Audit Report no. 15-AUD-09-11)

The Federal Communications Commission (FCC), Office of Inspector General (OIG) contracted with Regis and Associates, PC (Regis and Associates), to conduct a performance audit of the FCC's Universal Service Fund, High Cost Program, Connect America Fund, Phase I Incremental Support (hereinafter referred to as Program). 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), 4(a)(1) and 5. It is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.

The objectives of this audit were to: (1) determine the effectiveness of the controls established by the FCC and Universal Service Administrative Company (USAC) to ensure that disbursements of Program funds were for eligible purposes and in the correct amounts; (2) test a sample of Program disbursements to the Eligible Telecommunications Carriers (ETCs) that received funding, to provide reasonable assurance that the ETCs provided the broadband services, as committed; and (3) identify any improvements to the controls that may be needed to protect the Universal Service Fund from fraud, waste, and abuse.

The audit found that USAC did not effectively monitor ETCs to ensure that they complied with the Program's eligibility or build-out milestone requirements. The auditors made five recommendations to improve internal controls and oversight for the Program.

Regis and Associates is wholly responsible for the attached auditor's report and the conclusions expressed therein. OIG monitored Regis and Associates' performance of the contract and attended interviews they conducted as part of its audit, and reviewed their audit report and related audit documentation. Our review did not disclose any instances where Regis and Associates did not comply in all material respects with generally accepted government auditing standards.

The final audit report for this audit is attached. The report incorporates FCC's management response to the draft audit report issued March 27, 2018. The report also includes Regis and Associates' evaluation of the FCC's management response.

Questions regarding this memorandum should be directed to Robert McGriff, Assistant Inspector General for Audit, at 202-418-0479 or robert.mcgriff@fcc.gov; or Sharon Spencer, Deputy Assistant Inspector General for USF Audits, at 202-418-0477 or sharon.spencer@fcc.gov.

Attachment: Audit Report no. 15-AUD-09-11

cc: Chief of Staff
Chief Financial Officer