



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: July 12, 2018

TO: Chief, Wireline Competition Bureau

CC: Managing Director

FROM: Inspector General *for RM*

SUBJECT: Audit of the Federal Communication Commission's Universal Service Fund, High Cost Program, Interstate Common Line Support (Audit Report no. 16-AUD-01-01)

The Federal Communications Commission (FCC), Office of Inspector General (OIG) submits the final report on the performance audit of the controls over the Universal Service Fund (USF), High Cost Program, Interstate Common Line Support (ICLS) mechanism. The audit was contracted with Lani Eko & Company, CPAs, PLLC (LEC). We contracted for this audit 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 the audit were to: (1) describe the processes and controls established by the National Exchange Carrier Association and Universal Service Administrative Company, to ensure the accuracy and eligibility of ICLS disbursements, (2) determine whether the controls were effective, and (3) identify any improvements needed to the controls in order to protect the USF from fraud, waste, and abuse. Our audit covered ICLS program year 2013.

The audit found that internal controls over ICLS payments to Eligible Telecommunication Carriers were not effective. LEC identified two findings and made seven recommendations that we consider sufficient to address the deficiencies noted. The FCC generally concurred with the audit findings and agreed to consider our recommendations for improvement, or implement other recommendations that it deems to be more suitable. FCC's full management response is provided in Appendix B of the report.

LEC is wholly responsible for the attached audit report and the conclusions expressed therein. OIG monitored the performance of our contract with LEC and attended interviews that LEC conducted as part of its audit. We also regularly met with LEC to discuss the audit status, and

reviewed LEC's audit report and related audit documentation. Our review did not disclose any instances where LEC did not comply in all material respects with generally accepted government auditing standards.

Questions regarding this memorandum or the attached audit report should be directed to Robert McGriff, Assistant Inspector General for Audit, at 202-418-0483 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