



Federal Communications Commission
Washington, D.C. 20554

January 14, 2020

Radha Sekar
Chief Executive Officer
Universal Service Administrative Company
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

Re: Fiscal Year 2019 Financial Statement Audit Findings

Dear Ms. Sekar:

This letter concerns audit findings from the Federal Communications Commission's (FCC or Commission) annual financial statement audit for fiscal year (FY) 2019. In preparing the Commission's annual financial statement audit, the independent auditor, Kearney and Company, working under the direction of the Commission's Office of Inspector General identified two significant deficiencies that relate to the administration of the Universal Service Fund (USF) by the Universal Service Administrative Company (USAC). The issues identified by the independent auditor relate to USF budgetary accounting and information security controls at USAC. These audit findings and the related recommendations made by the auditors are further described in the Independent Auditor's Report on Internal Control Over Financial Reporting included in the FCC's FY 2019 Agency Financial Report.¹

The Memorandum of Understanding ("MOU") between the FCC and USAC requires USAC to administer the USF consistent with all applicable government and Commission accounting requirements.² The MOU further requires USAC to promptly take steps to implement all recommendations arising from all USF-related audits.³ Corrective action is essential to improving the effectiveness and efficiency of operations and helps to deter fraud, waste, and abuse. Consistent with these requirements, USAC should provide the Commission with corrective action plans addressing the issues identified by the auditors within 30 days of receipt of this letter. The corrective action plans should state the specific actions that USAC will take to correct each recommendation, the operating unit and staff person within USAC that will be responsible for implementing the corrective action, and an estimated date for completing implementation of the corrective action.

Thank you for your prompt attention to these matters. Please feel free to contact me if you have any questions or wish to discuss this issue further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Stephens".

Mark Stephens
Managing Director

¹ Independent Auditor's Report on Internal Control Over Financial Reporting published in the Federal Communications Commission Fiscal Year 2019 Agency Financial Report, available at: <https://docs.fcc.gov/public/attachments/DOC-360844A1.pdf>.

² MOU at § II (dated December 19, 2018).

³ MOU at § IV.G.4 (dated December 19, 2018).