



Federal Communications Commission  
Washington, D.C. 20554

January 14, 2021

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

Re: Corrective Action for Findings from Fiscal Year 2019 Improper Payments Audit

Dear Ms. Sekar:

This letter addresses the audit findings resulting from the improper payments audit for fiscal year (FY) 2019 performed by the independent auditor, Lani Eko and Company, working under the direction of the Federal Communications Commission's (FCC or Commission) Office of Inspector General. The annual improper payments audit evaluates the Commission's compliance with applicable improper payment laws in accordance with guidance from the Office of Management and Budget (OMB) in Appendix C to OMB Circular A-123 (Memorandum 18-20).<sup>1</sup> The independent auditor's recommendations relate directly to the activities of the Universal Service Administrative Company (USAC) and the FCC's administration of the Universal Service Fund (USF).

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.<sup>2</sup> The MOU further requires USAC to promptly take steps to implement all recommendations arising from all USF-related audits.<sup>3</sup> The FCC has reviewed the corrective action plan submitted by USAC in response to the FY 2019 improper payments audit report. The FCC directs USAC to implement corrective actions and all of the necessary steps outlined in the audit report to improve the effectiveness and efficiency of the USF program. Specifically, as stated by the auditors in their audit report, the FCC directs USAC to:

- For the USF's Rural Health Care program, implement policies and procedures to improve internal controls, improve the program's outcomes, and respond to risks of improper payments;
- For the USF's Lifeline program, determine the full monetary impact of the overpayments for: a) reimbursements to service providers for subscribers who did not use Lifeline program services, b) erroneous subscribers claimed by service providers, and c) a service provider operating outside its designated service areas; and
- For the USF's High Cost program, develop guidance consistent with OMB Memorandum M-18-20 for analyzing the results of USAC's Payment Quality Assurance procedures.

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<sup>1</sup> The final audit report which was issued by the FCC's Office of Inspector General on June 3, 2019 is available online at: <https://www.fcc.gov/inspector-general/reports/general/audit-inspection-and-evaluation-reports-issued-office-inspector>.

<sup>2</sup> MOU at § II (dated December 19, 2018).

<sup>3</sup> MOU at § IV.G.4 (dated December 19, 2018).

These actions will help the FCC to ensure that USAC is taking the necessary steps towards achieving compliance with OMB Memorandum 18-20. Furthermore, remediation of these audit findings is essential to the overall goal of the FCC to adhere to the requirements of applicable improper payment laws and to detect, prevent, and respond to potential fraud, waste, and abuse in the USF program.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Stephens", written over a light blue horizontal line.

Mark Stephens  
Managing Director