



Federal Communications Commission
Washington, D.C. 20554

February 7, 2018

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

Re: Fiscal Year 2017 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) 2017. 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 significant deficiencies in the accounting of the Universal Service Fund (USF). These audit findings are summarized in the Independent Auditor's Report on Internal Control Over Financial Reporting included in the audit report on the FCC's FY 2017 financial statements.¹ The independent auditor has identified two significant deficiencies that relate to the Universal Service Administrative Company's (USAC) administration of the USF. The first such deficiency is related to USF budgetary accounting. The second deficiency is related to information security controls at USAC.

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 each of the two significant deficiencies identified above within 30 days of receipt of this letter. The corrective action plans should state the specific actions that USAC will take to correct each noted finding, 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. USAC should include in its submission corrective action plans for any additional audit findings not mentioned above.

¹ Independent Auditor's Report on Internal Control Over Financial Reporting published in the Federal Communications Commission Fiscal Year 2017 Agency Financial Report, https://apps.fcc.gov/edocs_public/attachmatch/DOC-347780A1.pdf. The Commission provided its response to the auditor's report on November 15, 2017. *See id.* at 41-42.

² MOU at § II (dated 5/2/2016).

³ MOU at § IV.G.3 (dated 5/2/2016).

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". The signature is stylized with a large, sweeping initial "M" and a long, horizontal flourish at the end.

Mark Stephens,
Managing Director