



Federal Communications Commission
Washington, D.C. 20554

August 2, 2018

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 2017 Improper Payments Audit

Dear Ms. Sekar:

This letter addresses the results of the fiscal year (FY) 2017 improper payments audit performed by the independent auditors, Lani Eko, LLC, 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 the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, in accordance with guidance from the Office of Management and Budget (OMB) contained in Appendix C of OMB Circular A-123. The Commission's current Memorandum of Understanding (MOU) with the Universal Service Administrative Company (USAC) provides that USAC, in its role as administrator of the Universal Service Fund (USF), "shall take steps to implement all recommendations applicable to USAC or USF arising from audits" and "develop and implement a corrective action plan to address all recommendations."¹

The Commission requests that USAC take the appropriate steps to correct the issues from the FY 2017 improper payments audit that are listed below. In addition, the Commission requests that USAC provide the Commission with corrective action plans that describe the specific actions that USAC is taking to remediate these audit findings as well as the timeframes for completion. The applicable findings to USAC from the FY 2017 improper payment audit are:

- Work with the FCC's Wireline Competition Bureau to review the plans for implementing the Lifeline National Verifier to ensure the plans will remediate the root causes for USF Lifeline related improper payments listed in the FCC's FY 2017 Agency Financial Report (AFR). Also, develop and implement interim procedures for strengthening the processes for monitoring telecommunication service providers' compliance with USF Lifeline rules;
- Implement procedures to examine the root causes of improper payments, and to determine the likelihood and develop an estimate of those resulting from fraudulent activities, to ensure more accurate reporting in the AFR as well as to Congress and OMB;
- Develop and implement improper payment reporting guidance for USAC's program and financial staff. That guidance should include: (a) a definition of what is an improper payment, (b) procedures and requirements for communicating improper payment information to USAC management and oversight bodies, and (c) the responsibilities for, and method of such communication;
- Conduct training for all appropriate USF program and finance staff, on a periodic basis, to further

¹ MOU at § IV.G.3 (dated May 2, 2016).

- clarify and emphasize the requirements of guidance for reporting improper payments; and
- Conduct periodic checks of information technology systems that support USF programs, to ensure that their configurations support complete, accurate and valid processing of USF data and payments.

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,



Mark Stephens,
Managing Director