



Federal Communications Commission
Washington, D.C. 20554

August 30, 2019

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 2018 Improper Payments Audit

Dear Ms. Sekar:

This letter addresses the audit findings resulting from the improper payments audit for fiscal year (FY) 2018 performed by the independent auditor, Lani Eko and Company, working under the direction of the Federal Communications Commission's (FCC's) 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) in Appendix C to OMB Circular A-123 (Memorandum 18-20).¹ 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.² The MOU further requires USAC to promptly take steps to implement all recommendations arising from all USF-related audits.³ The FCC has reviewed the corrective action plan submitted by USAC in response to the FY 2018 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:

- Leverage the Beneficiary and Contributor Audit Program (BCAP) (or a modified version) for the assessment of improper payments to High Cost beneficiaries;
- Develop guidance, consistent with OMB Memorandum 18-20, for analyzing the results of the Payment Quality Assurance (PQA) procedures;
- Work with USAC's independent statistician to develop a sampling and estimation plan that is reflective of the risks of improper payments in each of the components of the High Cost program;
- Conduct periodic training for all appropriate USF program personnel to further 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 data and payments.

¹ 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>.

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

³ 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 IPERIA 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