



Federal Communications Commission  
Washington, D.C. 20554

December 13, 2018

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

Re: Fiscal Year 2018 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) 2018.<sup>1</sup> 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 a material weakness related to Universal Service Fund (USF) Budgetary Accounting. This material weakness includes six related recommendations that are described in the Independent Auditor's Report on Internal Control Over Financial Reporting included in the audit report on the FCC's FY 2018 financial statements.<sup>2</sup> The independent auditor's recommendations relate to the Universal Service Administrative Company's (USAC) administration of the 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>3</sup> The MOU further requires USAC to promptly take steps to implement all recommendations arising from all USF-related audits.<sup>4</sup> 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 material weakness identified above within 30 days of receipt of this letter. The corrective action plans should state the specific actions that USAC will take to remediate each noted 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.

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<sup>1</sup> A separate letter will be issued to USAC for the Information Technology audit findings contained in the FY 2018 Agency Financial Report and the Federal Information Security Modernization Act (FISMA) Report.

<sup>2</sup> Independent Auditor's Report on Internal Control Over Financial Reporting published in the Federal Communications Commission Fiscal Year 2018 Agency Financial Report, <https://docs.fcc.gov/public/attachments/DOC-355122A1.pdf>.

<sup>3</sup> MOU at § II (dated May 2, 2016).

<sup>4</sup> MOU at § IV.G.3 (dated May 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