



Federal Communications Commission  
Washington, D.C. 20554

July 11, 2024

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

Re: Corrective Action for Issues in FY 2023 Improper Payments Audit & Other Matters.

Dear Ms. Sekar:

This letter addresses the audit findings resulting from the improper payments audit for fiscal year (FY) 2023 performed by the independent auditor, Kearney & Company, P.C. 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 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 21-19).<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 directs USAC to develop a corrective action plan and incorporate in the corrective action plan 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:

**1) For the Schools and Libraries (S&L or E-Rate) Program**

- Continue enhancing applicant outreach programs to educate applicants on the S&L program rules, especially rules relating to the competitive bidding processes. Specifically, this may include implementing measures, such as gauging applicant participation to ensure applicants are cognizant of the material being presented or requiring mandatory, comprehensive training for new applicants.
- Enhance the use of automation tools in EPC to check invoices for common errors and invoices that are flagged as having a high risk of non-compliance with program invoicing requirements.

**2) For the Lifeline Program**

- Perform a cost-benefit analysis to identify additional approaches for further reducing the improper payment rate below the reporting threshold. Additional approaches could include, but are not limited to, evaluating the appropriateness of the volume of applications assigned per reviewer, increasing the effectiveness of employee training, providing program requirement reminders and updates, adding additional layers of review, creating a documentation checklist to determine program eligibility, and

providing ongoing coaching to educate staff on the Lifeline Program requirements, including documentation requirements related to eligibility.

3) **Affordable Connectivity Program (ACP)**

- Develop and implement policies and procedures to identify, quantify, and report in the OMB Annual Data Call any downward revisions that are submitted by providers resulting from provider non-compliant conduct;

In addition to the recommendations included in the independent auditors report mentioned above this letter also directs USAC to complete the following.

4) **Other Matters**

- USAC must develop policies and procedures within 60 days of this letter over the upward and/or downward revisions submitted by providers in any of the USF programs and appropriated programs administered by USAC, for example, the High Cost (CAF BLS, High Cost Loop Support (HCLS) and the Lifeline Program. The policies and procedures must be shared with the FCC prior to them becoming final.

These actions will help the FCC to ensure that USAC is taking the necessary steps towards achieving compliance with OMB Memorandum 21-19. 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,

Mark Stephens  
Managing Director

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<sup>1</sup>The final audit report which was issued by the FCC's Office of Inspector General on May 29, 2024 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).

