



Federal Communications Commission
Washington, D.C. 20554

September 28, 2007

Peter Dunbar
National Exchange Carrier Association
80 South Jefferson Road
Whippany, NJ 07981

Re/ NECA's administration of the TRS Fund

Dear Mr. Dunbar:

The Federal Communications Commission's Office of Managing Director ("OMD") has been taking steps to strengthen its internal controls with regards to the areas of audit follow-up and fraud. We have recently issued directives in both of these areas that required us to assess the level of information we receive from our component entities to meet the guidelines within the directives. To that end, OMD is requesting the information listed below pertaining to NECA's administration of the TRS program. We recognize this is a significant amount of information and ask that an initial response be provided within four weeks of receipt of this letter that includes those items readily available along with a timeline for when the additional documents can be provided.

Please provide the following documents:

- (1) NECA's employee code of ethics/conduct manual or directives;¹
- (2) NECA's Business Continuity Plan, including the last time it was tested and the results;
- (3) NECA's current Internal Audit Department Audit Plan;
- (4) NECA's Internal Audit Department audit reports, reviews, investigations and other related oversight activity since FY 2005. These should include contract audits beyond the annual financial audit, Provider audits, NECA operations audits, Contributor audits and Systems audits;
- (5) All other audit reports, reviews, investigations and other related oversight activity not conducted by the internal audit department since FY 2005;
- (6) A summary of actions taken by NECA's Internal Audit Department to identify risk and controls to mitigate risk, improve internal controls and report on internal controls to management and the Audit Committee;²
- (7) Copies of the Audit Tracking reports for the last three years;
- (8) A report or matrix of audit findings/issues from past audits that identifies the status of the recommendations and the action taken by NECA management to close the recommendation. For those recommendations that have remained open beyond 6 months please provide an explanation

¹ See Description of Control Document, p. 1, para. 3.

² See Description of Control Document, p. 2, para. 5.

for why the issue remains outstanding, actions management is taking to close the recommendation and an expected resolution date. For audits prior to FY 2005 only those items that remain open need to be identified;

- (9) A technology risk assessment prepared by the IT internal audit team;³
- (10) Copies of the rules, and policies and procedures (can be soft copy) followed by NECA's Board of Directors in their deliberations of TRS Fund operations;
- (11) Copies of the rules and policies and procedures (can be soft copy) followed by NECA's Audit Committee;
- (12) The Conflict of Interest Procedures followed by Board of Directors and Audit Committee members in their fiduciary responsibilities as Board Members;
- (13) NECA's Organization Structure⁴ along with an explanation on how lines of authority are delineated in the organization structure, and how TRS is managed within NECA;
- (14) Copies of employee job descriptions;
- (15) A soft copy of NECA's policy and procedures manuals to administer the TRS Fund;⁵
- (16) A list of steps being taken, as fund administrator, to examine, verify and audit data received from TRS providers as necessary to assure the accuracy and integrity of fund payments;⁶
- (17) The Audit Report Section of the TRS Payment Formula and Fund Size Estimate calls for all providers to randomly submit detailed records supporting the actual demand data submitted to NECA for monthly reimbursement. Please provide copies of the provider information submitted and any related audit work performed on the 2006 and 2007 funding years.

Finally, we ask that NECA schedule a meeting for the Commission with Withum, Smith, and Brown to discuss the results of their annual audit. Please forward your answers to these questions to Michael Smith, Deputy CFO – Financial Reporting, OMD, office # 1-A663, phone # 418-7051. If you have any questions regarding the information or document requested in this letter, please call Jose Rodriguez 418-0825, email: JoseLuis.Rodriguez@fcc.gov or Thad Machcinski 418-0808, email: Thaddeus.Machcinski@fcc.gov.

We are looking forward to receiving your responses. Thank you for your attention to this matter.

Sincerely,


Michael Smith
Deputy CFO – Financial Reporting

³ See Description of Control Document, p. 4, para. 5.

⁴ See Description of Control Document, p. 2, para. 4.

⁵ See Description of Control Document, p. 2, para. 6.

⁶ See p. 6 of TRS Payment Formula and Fund Size Estimate.