January 30, 2008

Mr. Scott Barash  
Acting CEO  
Universal Service Administrative Company  
2000 L Street, NW  
Washington DC 20036

Dear Mr. Barash:

This letter is in response to your letter of December 7, 2007, concerning the Universal Service Administrative Company’s (USAC) plans for recovering payments deemed improper by independent auditors or the Federal Communications Commission’s Office of the Inspector General (OIG) in connection with audits of contributors to the Universal Service Fund (USF) or beneficiaries of the universal service support mechanisms.

Consistent with our October 31, 2007 letter addressing audit follow-up, USAC should seek recovery of funds where recommended by the OIG or an independent auditor. USAC should conduct all such recovery actions in a manner consistent with the Commission’s rules. To assist USAC in this endeavor, we provide additional guidance for these recoveries below. This additional guidance meets with the approval of the Commission’s Inspector General, and should enable USAC to proceed with recovery in an efficient, effective manner. Some of these steps involve changes from the recovery plans described by USAC in your December 7 letter:

1. For all of the universal service mechanisms, where the independent auditor recommends amounts for remediation and/or identifies areas of non-compliance, USAC will follow established procedures to accurately determine the amount of support that is equitably due. This may entail reviewing relevant periods outside of the audit period that relied on the data remediated during the audit period (i.e., all disbursements directly tied to a particular study found to be in non-compliance). USAC will take prudent steps consistent with established procedures to ensure that no subsequent support is provided on the basis of its determination. USAC will continue to work under the oversight of the OIG in the conduct of any additional audit, investigative, or review work, and all such work must be performed to the satisfaction of the OIG.

2. With respect to the High Cost program, where there are competitive eligible telecommunications carriers (CETCs) serving lines in the service area of the Incumbent Local Exchange Carrier (ILEC) under review due to remediation as a result of the Improper Payments Information Act (IPIA) audits (step 1 above), USAC will initiate recovery for any CETC support received under the identical support rule only after a “final” remediation amount has been settled with the ILEC, including any appeals.
Federal Communications Commission
Managing Director

Antony J. Davis

Sincerely,

Please contact me if you have any questions.

appealable rights under the Commission's rules.

7. USAC should indicate in its correspondence interim recovery that parties have

preventing recovery.

6. USAC will take all reasonable steps necessary to prevent any statute of limitations from

of the Schools and Libraries Program.

5. In the event that an appeal of CFTC files an appeal with USAC of the Commission

determination of the indebtedness before referring a deficiency detail to Treasury for

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USAC will suspend collection of the recovery through thedess process while the appeal

proceeds (47 C.F.R. sec. 1.1912(b)(4)), which requires the

is pending. This is consistent with 47 C.F.R. sec. 1.1912(b)(4), which requires the

administrative officer and consistent with recovery procedures in cases where providers or

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providers of broadband services are not able to demonstrate to the satisfaction of the

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Commission, to allow deferral of the opportunity for a review within the Commission of the

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exceeds the company's current high cost and low income

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USAC will provide the company 30

of the determination. Prior to initiating the recovery, USAC will provide the company 30

above the current level of the amount of high cost support to be remitted as a result

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USAC will notify the company of the high cost program or CFTCs identified in step 2.

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