

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

OFFICE OF
MANAGING DIRECTOR

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.

3. USAC will notify the auditees of the High Cost program or CETCs identified in step 2 above via certified letter of the amount of High Cost support to be remediated as a result of its determination. Prior to initiating the recovery, USAC will provide the company 30 days written notice.
4. For the High Cost and Low Income programs, USAC will remediate the funds by offsetting the recovery amount against the company's current High Cost and Low Income disbursements.
5. In the event that an auditee or CETC files an appeal with USAC or the Commission pursuant to 47 CFR sec. 54.719, and consistent with 47 CFR sec. 54.725(a) and (b), USAC will suspend collection of the recovery through the offset process while the appeal is pending. This is consistent with 47 CFR sec. 1.1912(b)(4), which requires the Commission to allow debtors the opportunity for a review within the Commission of the determination of the indebtedness before referring a delinquent debt to Treasury for administrative offset and consistent with recovery procedures in cases where providers or beneficiaries of the program appeal a finding of liability, e.g., providers or beneficiaries of the Schools and Libraries program.
6. USAC will take all reasonable steps necessary to prevent any statute of limitations from preventing recovery.
7. USAC should indicate in its correspondence initiating recovery that parties have appellate rights under the Commission's rules.

Please contact me if you have any questions.

Sincerely,



for Anthony J. Dale
Managing Director
Federal Communications Commission

Cc:

Kent Nilsson
Dana Shaffer