



Federal Communications Commission  
Washington, D.C. 20554

July 24, 2008

Mr. Scott Barash  
Acting Chief Executive Officer  
Universal Service Administrative Company  
2000 L Street, NW  
Suite 200  
Washington, DC 20036

Dear Mr. Barash:

This letter is to request that the Universal Service Administrative Company (USAC) deconsolidate its Federal income tax return from its parent, the National Exchange Carrier Association (NECA), so that USAC may change its fiscal year to match that of the Federal Communications Commission (Commission).

Each year, the Commission's Office of Inspector General (OIG), with the assistance of outside auditors, conducts a financial audit of the Commission. The Universal Service Fund is included in the financial statements prepared by the Commission and audited by its OIG as a component entity. Pursuant to section 1102 of Title 31 of the United States Code, the Federal government's fiscal year begins on October 1 and ends on September 30 of the following year. In turn, the Commission's fiscal year follows that of the Federal government. USAC's fiscal year, and that of the Universal Service Fund, matches NECA's fiscal year, which begins on January 1 and ends December 31. The discrepancy between the Commission's fiscal year and USAC's fiscal year complicates the annual audit process and adds unnecessary costs to the audit in terms of the allocation of resources necessary to respond to duplicative audit requests. In order to simplify the Commission's audit process and save expenses for the United States government, the Commission hereby formally requests that USAC deconsolidate its Federal tax return from NECA's return and change its fiscal year to begin October 1 and end September 30 of the following year.

We have been informed that NECA must get the approval of the Internal Revenue Service (IRS) before it can deconsolidate its tax return from USAC's and USAC can change its fiscal year to match the Commission's. To the extent that NECA must make a showing of "good cause" to the IRS to obtain its approval, NECA and USAC may use this letter to support its request to the IRS. If deconsolidation is not possible or is not approved by the IRS, then the Commission requests that USAC change its financial statement year-end to September 30 and that NECA continue to file a consolidated return, based on USAC calendar year-end totals. We understand that compliance with this alternative request also requires IRS approval. NECA and USAC may use this letter to support any request for such approval to the IRS.

Thank you for your prompt attention to this matter. Please contact Mark Stephens, the Commission's Chief Financial Officer (202-418-0817), if you have any questions or need the Commission to take any additional steps to support an application to the IRS for approval of deconsolidation of NECA's and USAC's tax returns and a change in USAC's fiscal year.

Sincerely,



Anthony J. Dale  
Managing Director  
Federal Communications Commission

cc: Dana Shaffer, Chief, Wireline Competition Bureau  
Kent Nilsson, Inspector General