

FEDERAL COMMUNICATIONS COMMISSION  
Washington, D. C. 20554

August 15, 2008

OFFICE OF  
MANAGING DIRECTOR

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

RE: Requesting Corrective Action Plans for 2007 Part 54 Audit Findings

Dear Mr. Barash:

This letter addresses the results of the audit performed by the independent auditors, PriceWaterhouseCoopers LLP, of the Universal Service Administrative Company's (USAC) financial statements for the year ending December 31, 2007 as required by section 54.717 of Title 47 of the Code of Federal Regulations. The Federal Communications Commission (Commission) has received the results of this audit and is pleased to see that USAC received an unqualified opinion on its financial statements from the independent auditors. However, the Commission also noted that the independent auditors' report to management on internal control observations and recommendations identified one material weakness, one significant deficiency, and eighteen control deficiencies related to USAC's current operations, and that the independent auditors made recommendations to USAC for resolution of these deficiencies.

As discussed previously with USAC, audit follow up and corrective action for audit recommendations is an integral part of good management. Corrective action is essential to improving the effectiveness and efficiency of operations. The Commission's current Memorandum of Understanding (MOU) with USAC provides that USAC will promptly take steps to implement all recommendations arising from Universal Service Fund (USF) related audits such as the annual financial audit required by section 54.717 of the Commission's rules.<sup>1</sup> Furthermore, the MOU states that USAC shall have an action plan to address all findings from such audits, and that USAC shall submit those plans to the Commission's Office of the Managing Director (OMD).<sup>2</sup> As such, I am writing to request that USAC provide OMD with corrective action plans addressing each of the recommendations in the independent auditors' report within 30 days of receipt of this letter. The corrective action plans should state the specific actions that USAC will take to implement each recommendation, the operating unit within USAC that will be responsible for implementing the corrective action, and an estimated date for completing implementation of the corrective action. I ask that you particularly focus your efforts on both mitigating the impact of and correcting the material weakness and significant deficiency identified in the independent auditors' report as those findings by definition present the greatest operational risk to USAC and the USF.

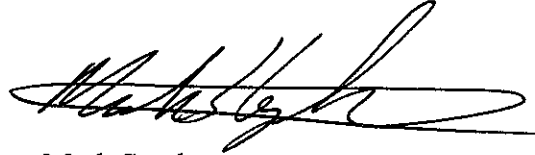
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<sup>1</sup> Memorandum of Understanding between FCC and USAC, 2007, Section IV.D.2.

<sup>2</sup> *Id.*

Thank you for your prompt attention to this matter. Please feel free to contact me if you have any questions or wish to discuss this issue further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Stephens', written over a horizontal line.

Mark Stephens  
Chief Financial Officer

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