



Federal Communications Commission
Washington, D.C. 20554

AUG 18 2008

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

Dear Mr. Barash:

With this letter, we direct the Universal Service Administrative Company (USAC) to take steps to enhance the transparency of its operations, to strengthen its internal control structure, and to improve the efficiency and effectiveness of its operations as the Universal Service Fund (USF) Administrator. We expect that these additional measures will help address potential improper payments identified by the Inspector General in the audits conducted pursuant to the Improper Payments Information Act of 2002 (IPIA).

In January 2008, we required USAC to provide additional information concerning the steps USAC could take to prevent or reduce potential improper payments in the USF. Specifically, we required USAC to provide a list of proposed actions USAC could take to help prevent or reduce improper payments and an estimate of the resources that would be required to implement these actions. On February 28, 2008, USAC submitted a letter describing additional steps it could take as the USF Administrator to help address potential improper payments. After discussing this letter with USAC, Commission staff orally instructed USAC's management to work with its Board of Directors to implement these enhancements and to request the necessary resources through the normal process for funding USAC's administrative expenses.

We require USAC to submit on a quarterly basis status reports on its progress in implementing its proposed actions to prevent or reduce improper payments. Because these actions directly implicate the resources USAC requests to administer the program, USAC should include this information as a separate section in its quarterly USF Contribution Factor submissions identifying its projected costs. In addition, USAC should summarize in its annual report the steps it has taken to prevent and reduce potential improper payments identified by the Inspector General in the audits conducted pursuant to the IPIA. These additional disclosures will help the Commission and program stakeholders monitor USAC's progress in implementing measures intended to prevent and reduce improper payments.

We also require USAC to provide additional detail about its administrative expenses, including the expenses devoted to reducing and preventing improper payments. In its quarterly USF Contribution Factor submissions, USAC should identify its contractors and, for each contractor, provide the dollar amount of each contract, the type of account, and the type of good/service purchased by USAC from each contractor. USAC should also disclose this information on its Internet site. In addition, USAC should provide summary contractor information with these specifics in its annual report. These additional disclosures would track

those applicable to Federal agencies, including the Commission's contracting actions. More information on these disclosures is available at www.USASpending.gov.

If you have any questions, please do not hesitate to call me at (202) 418-2260.

Sincerely,



Anthony J. Dale
Managing Director

cc: USAC Board of Directors
Kent Nilsson, Inspector General
Dana Shaffer, Chief, Wireline Competition Bureau