



Federal Communications Commission
Washington, D.C. 20554

December 16, 2008

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

RE: Audit Findings related to the Administration of the USF and USAC

Dear Mr. Barash:

This letter addresses all audit findings brought to the attention of USAC whether they are from an internal or external source related to the Administration of the USF or USAC, including contractor or beneficiary audits. Previously, the Commission provided USAC with two letters requiring it to take all the necessary steps to implement audit recommendations and provide corrective action plans for all audit findings identified in the annual Part 54 audit as well as the FY08 FISMA audit.¹ We are now requiring USAC to take the same steps for all audit findings as a result of audits that may be performed on the USF and USAC.

As discussed previously with USAC, audit follow up and corrective action for audit recommendations is an integral part of good management and helps management implement the necessary solutions to prevent those findings from reoccurring. Furthermore, corrective action is essential to improving the effectiveness and efficiency of program 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.² 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).³

USAC should provide OMD with corrective action plans addressing each recommendation provided to it from any audit related to the Administration of the USF or USAC, including contractor or beneficiary audits within 30 days of approval by its board of directors. 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. USAC should particularly focus its efforts on implementing all audit recommendations consistent with any Commission rule, order, and other guidance provided to

¹ See letter to Scott Barash, Acting CEO, USAC dated 08/15/08 (Part 54 corrective action letter) and letter dated 10/14/08 (IT audit letter).

² Memorandum of Understanding between FCC and USAC, 2007, Section IV.F.1 and 2.

³ *Id.*

date. If USAC is unable to fully implement any audit recommendation, USAC should immediately notify OMD, WCB and OIG.

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,



Anthony J. Dale
Managing Director

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