



Federal Communications Commission  
Washington, D.C. 20554

December 13, 2010

Mr. Scott Barash  
Acting CEO  
Universal Service Administrative Company  
2000 L Street, NW  
Washington, DC 20036

Dear Mr. Barash,

On November 30, 2010, the Universal Service Administrative Company (USAC) notified the Commission that, due to an accounting error, incorrect disbursements were made that day to 318 eligible telecommunications carriers (ETCs) under the Universal Service Low-Income program. On the same day, the Commission instructed USAC to immediately provide information on affected ETCs and keep the Commission regularly apprised of progress made in correcting the error. Information provided revealed these outlays resulted in overpayments to 178 ETCs and underpayments to 140 ETCs. USAC has informed the Commission that, to date, all underpayments have been corrected and of the \$36.8 million in overpayments, approximately \$32 million has been recovered, including the highest overpayment made to an ETC in the amount of approximately \$9 million. With this letter, the Commission directs USAC to continue to adjust and recover all outstanding incorrect November 2010 payments under the Low-Income program. In doing so, USAC is required to notify the Commission daily of progress made in achieving this directive.

We also remind USAC that in the 2009 Executive Order regarding Improper Payments Information Act of 2002 (IPIA), President Obama stated that when making payments to program beneficiaries, Federal Government agencies “must make every effort to confirm the right recipient is receiving the right payment for the right reason at the right time.”<sup>1</sup> President Obama further emphasized that the Federal Government must intensify efforts to eliminate payment error while “continuing to ensure that Federal programs serve and provide access to their intended beneficiaries.”<sup>2</sup>

Consistent with this directive, for all four Universal Service Programs, we direct USAC to develop additional internal controls to protect against any future errors being made that may result in incorrect payments. This plan must be submitted at least 7 calendar days prior to the next payment due for the High-Cost and Low Income programs.<sup>3</sup> Such controls must clearly detail how the above Low Income payment errors will be prevented in future disbursements. In addition, the plan must identify any other risks or weaknesses in the universal service payment processes and explain how they have been corrected.

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<sup>1</sup> Executive Order 13520, § at 1 (Nov. 20 1999) (IPIA Executive Order); Letter to Scott Barash, Universal Service Administrative Company, from Steven VanRoekel, FCC (dated Feb. 12, 2010) available at, <http://www.fcc.gov/omd/usac-letters/2010/021210-ipia.pdf>.

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

<sup>3</sup> This date ensures controls are in place prior to the next High-Cost and Low-Income payments. We recognize the E-rate and Rural Health Care programs function under a different payment schedule (*e.g.*, competitive bid, funding commitments, and invoice submission/payment). Nevertheless, we find for purposes of administrative efficiency, one submission for all programs is appropriate.

We appreciate your attention to this matter. If you have any questions or wish to discuss these issues further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. VanRoekel", written in a cursive style.

Steven VanRoekel  
Managing Director

Cc: Sharon Gillet  
Dana Shaffer  
Mark Stephens  
Richard Belden