



Federal Communications Commission
Washington, D.C. 20554

August 16, 2013

DA 13-1767

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

RE: Request for Corrective Action Plans for the 2012 Part 54 Financial Reporting Findings

Dear Mr. Barash:

This letter addresses the results in the Management Letter associated with the Financial Statements Audit engagement performed by the independent auditors, DP George & Company LLC (DP George), of the Universal Service Administrative Company (USAC) for the year ending December 31, 2012. This audit was performed as required by section 54.717 of Title 47 of the Code of Federal Regulations.¹ The Commission's current Memorandum of Understanding (MOU) with USAC provides that USAC "promptly take steps to implement all recommendations arising from USF-related audits"² and "ensure that it has an action plan to address all recommendations arising from such audits and will submit the action plan to OMD."³

The Federal Communications Commission (Commission) has received the results of this engagement and requests that USAC provide the Commission's Office of the Managing Director (OMD) with the corrective action plans for each reported issue within 30 days from the date of this letter. USAC's corrective action plans should state the specific action that it will take to implement each noted issue, steps taken since notice of the issue, 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. Additionally, you should explain any inability to fully implement an audit recommendation. According to DP George's recommendations, USAC should:

- Ensure that its backup financial application processing facility be located further from its main site in case of environmental disruption or disaster. USAC should adopt procedures to ensure that processing continues in the chance that both centers suffer a disruption in processing (modified repeat finding);
- Adhere to proper procedures for granting and reviewing user access to financial systems to ensure that unauthorized users do not gain access (modified repeat finding);

¹ 47 C.F.R. § 54.717.

² Memorandum of Understanding between FCC and USAC, 2008, Section IV.F.2.

³ *Id.*

- Ensure proper documentation of controls for interface schedules, assignment of responsibilities, and security requirements during the transmission of data between financial applications (modified repeat finding);
- Review fixed asset tagging procedures, review the current asset management system, consider implementing interim floor to book sampling, and review capitalization thresholds for the purpose of tracking all fixed assets (modified repeat finding);
- Consider whether to implement monitoring systems for modifications of financial applications and whether the current system of collecting those events and logging them in a separate system is the most appropriate method of recording unauthorized changes;
- Ensure that, during the year-end financial statement review process, USAC's accounting team obtains and follows an updated disclosure checklist;
- Ensure proper documentation and procedures for recording assets within the general ledger, specifically for transactions that arise out of special circumstances;
- Request and obtain annual reports from external providers regarding the effectiveness of their system controls;
- Develop policies and procedures surrounding the year-end annual leave liability accrual process to reconcile any issues with their payroll processing system;
- Review existing internal controls, specifically for bank and cash reconciliation, to ensure that deadlines do not conflict with reconciliation timeframes; and
- Update audit findings and recovery amounts in a timely manner and thoroughly review audit accrual balances.

Thank you for your attention to this matter. We look forward to reviewing your corrective action plans. Please feel free to contact me if you have any questions.

Sincerely,

Mark Stephens
Chief Financial Officer