



# NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.  
See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

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## **OFFICE OF INSPECTOR GENERAL RELEASES STATISTICAL ANALYSES OF AUDITS OF UNIVERSAL SERVICE HIGH COST FUND**

Washington DC – The Federal Communications Commission's Office of Inspector General ("FCC-OIG") released its initial analysis of the second round of audits of the Universal Service Fund ("USF"). The USF is administered by the Universal Service Administrative Company ("USAC") on the Commission's behalf. The FCC-OIG report provides statistical analyses of 384 audits of USF high cost program beneficiaries.

The Communications Act of 1934 (the "Act"), as amended, requires the Commission to promote universal service by ensuring that consumers in all parts of the United States have access to affordable, quality telecommunications services.<sup>1</sup> Section 254 of the Act directed the Commission, after consultation with the Federal-State Joint Board on Universal Service, to establish specific, predictable, and sufficient support mechanisms to preserve and advance universal service.<sup>2</sup> Among other things, section 254 provides that consumers in rural, insular, and high-cost areas should have access to telecommunications services at rates that are "reasonably comparable to rates charged for similar services in urban areas."

The audits were initiated to determine whether distributions from the Universal Service Fund, were being made in accordance with the Commission's directives and provide data for statistical estimates of erroneous payments as required by the Improper Payments Information Act of 2002 ("IPIA"). The audits were performed by commercial audit firms contracted and managed by USAC with FCC-OIG oversight.

An "erroneous payment" is defined by the Office of Management and Budget under the IPIA to be "any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denial of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount. In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error." Under IPIA standards, a program is at risk if the erroneous payment rate exceeds 2.5 % and the amount of erroneous payments is greater than \$10 million.

The estimated erroneous payment rate for the High Cost Program ("HCP") was 23.3%. The previous estimate was 16.6%. Total estimated erroneous payments were \$ 971.2 million as compared with the previous estimate of erroneous payments of \$617.8 million. Accordingly, the FCC-OIG concluded that the High Cost Fund program is "at risk" under applicable IPIA criteria.

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<sup>1</sup> Communications Act of 1934, as amended, 47 U.S.C. §§ 151, *et seq.* The Telecommunications Act of 1996 amended the Communications Act of 1934. Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (1996 Act).

<sup>2</sup> 47 U.S.C. § 254.