

*OFFICE OF INSPECTOR GENERAL*

*Washington, D.C. 20554*



July 28, 2009

Congress of the United States of America  
Washington, DC

Re: Federal Communications Commission Office of Inspector General's Ongoing Review of the Universal Service Low Income Program's Disbursement System and Withdrawal of OIG's Prior December 12, 2008 Determination<sup>1</sup> of 100% a Erroneous Payment Level

Dear Member of Congress:

As Acting Inspector General, I hereby report the basis for the withdrawal of the previous Inspector General's determination of a 100% erroneous payment level in the federal universal service low income support program, consistent with my commitment to provide Congress with information that is both meaningful and accurate. The decision to withdraw the 100% erroneous payment level for the low income program has also been communicated to FCC Chairman Genachowski.

My office is now reviewing whether the low income program disbursement system is in accord with applicable law and meets the goals of eliminating fraud, waste and abuse in the federal universal service program. Upon completion, we shall prepare and submit a report with our findings, conclusions and recommendations to the Commission and Congress. We anticipate that the Commission will be able to use the results of our review consistent with what was stated in the Commission's FY 2008 Performance and Accountability Report at page 166:

...although the statistical estimates have been provided by the OIG for the Low Income program, the information surrounding the audit results and the issues that led to improper payments is still under review. Until the Commission completes its analysis for the Low Income program...it is not in a position to know whether or not information systems and other infrastructure changes are appropriate at this time.

The basis for the OIG's determination of a 100% erroneous payment level in the universal service low income program was that it had been concluded that the source documentation could not be provided as needed to permit verification of the calculations of the program amounts disbursed. This was based on an interpretation of the Office of Management and Budget's guidance to

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<sup>1</sup>See Federal Communications Commission, Office of Inspector General, Assessment of Payments Made Under the Universal Service Fund's Low Income Program (December 12, 2008).

agencies for implementation of the Improper Payments Information Act of 2002, 31 U.S.C. § 3321 (2002), which states that "...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."<sup>2</sup>

Since that initial determination by the previous Inspector General, the Universal Service Administrative Company ("USAC") analysis of the FCC OIG 2008 Reports on the Universal Service Fund ("USAC Response") was released on February 12, 2009. After reviewing the USAC Response and additional information, and considering that OIG did not conduct an audit or other structured examination of the low income program disbursement system to reach that earlier determination, we have decided to withdraw the earlier assessment of a 100% erroneous payment level for the low income program.

David L Hunt



Acting Inspector General  
Federal Communications Commission

cc: FCC Chairman Julius Genachowski

Senate Chairs and Ranking Minority Members of:

- Committee on Appropriations
  - o Subcommittee on Financial Services and General Government
- Committee on Commerce, Science and Transportation
  - o Subcommittee on Telecommunications and the Internet
- Committee on Homeland Security and Governmental Affairs

House Chairs and Ranking Minority Members of:

- Committee on Appropriations
  - o Subcommittee on Financial Services and General Government
- Committee on Energy and Commerce
- Committee on Government Reform
- Committee on Energy and Commerce
  - o Subcommittee on Telecommunications and the Internet
  - o Committee on Homeland Security

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<sup>2</sup>Office of Management and Budget, Memorandum for Heads of Executive Departments and Agencies (Aug. 10, 2006), Appendix C to OMB Circular A-123, at 2.