



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

January 15, 2021

The Honorable Maria Cantwell  
Ranking Member  
Committee on Commerce, Science, and Transportation  
United States Senate  
425 Hart Senate Office Building  
Washington, DC 20510

Dear Ranking Member Cantwell:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

The Report makes three recommendations focused on managing fraud risks and designing an antifraud strategy for addressing fraud risks in the E-Rate program. Specifically, GAO recommends that the FCC Chairman direct and coordinate with the Chief Executive Officer of USAC to comprehensively assess fraud risks to the E-Rate program, including implementing respective plans for developing periodic fraud risk assessments; examining the suitability of existing fraud controls; and compiling fraud risk profiles. GAO also recommends that the FCC Chairman ensure that the FCC and USAC follow the leading practices in GAO's Fraud Risk Framework when designing and implementing data-analytics activities to prevent and detect fraud as part of their respective antifraud strategies for the E-Rate program. Finally, GAO recommends that the FCC Chairman direct USAC to clearly define and fully document the data fields in all relevant E-Rate program computer systems to help improve the FCC's ability to understand and use data to manage fraud risks.

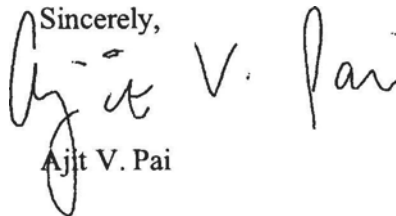
I share your concern in protecting the integrity of E-Rate program funds as we work to close the digital divide and bring digital opportunity to all Americans, including our nation's schools and libraries. During my tenure as FCC Chairman, the FCC has taken additional steps to fulfill its statutory mission to enhance the availability of affordable telecommunications and Internet access services to provide connectivity to schools and libraries and connections for students and library patrons. At the same time, the FCC has been steadfast in its commitment to protect E-Rate program funds, requiring them to be committed for eligible services and equipment provided to eligible entities, for eligible purposes, and in accordance with program

rules. We will continue our efforts to protect E-Rate program funds against waste, fraud, and abuse and ensure they are properly disbursed and used for appropriate purposes.

In their August 28, 2020 response to the draft report, the FCC’s Managing Director and Chief of the FCC’s Wireline Competition Bureau noted that the Commission has taken a variety of administrative and programmatic actions to reduce the risk of fraud in the E-Rate program. The response also indicated the FCC’s agreement with the GAO’s recommendations and intent to implement them. As detailed in that response, the FCC has implemented a comprehensive fraud risk management strategy, which includes an annual risk assessment of the E-Rate and other universal service programs, and performs other long-standing oversight processes concerning the E-Rate program’s internal controls, program management, and audit processes and procedures. The response also reported that the FCC and USAC have been working collaboratively to incorporate the use of data-analytics activities in our fraud risk management plans. The FCC already uses data analytics in the context of investigations and enforcement and is exploring more advanced uses of its data analytics platform to enable predictive analytics and other features to help prevent future instances of fraud. Additionally, we have been coordinating with USAC on USAC’s implementation of its framework to use data analytics to combat future fraud-risks in the E-Rate program. Finally, per GAO’s recommendation, USAC has notified the FCC that it has begun to update its data dictionaries across all data fields in the E-Rate program.

The FCC also looks forward to building on its current fraud risk management efforts by working with USAC to implement GAO’s Fraud Risk Framework for the E-Rate program. As part of this effort, USAC will conduct a fraud risk assessment of the E-Rate program once the ongoing risk assessment of the High Cost program has been completed. The Commission is collaborating with USAC to ensure that these efforts result in an overall fraud risk strategy that can be applied to all of the Universal Service Fund programs.

I appreciate the opportunity to comment on the Report and would be happy to discuss further if you have any questions.

Sincerely,  
  
Ajit V. Pai

cc: The Honorable Michael Enzi



FEDERAL COMMUNICATIONS COMMISSION  
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OFFICE OF  
THE CHAIRMAN

January 15, 2021

The Honorable James R. Comer  
Ranking Member  
Committee on Oversight and Government Reform  
U.S. House of Representatives  
2471 Rayburn House Office Building  
Washington, DC 20515

Dear Ranking Member Comer:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

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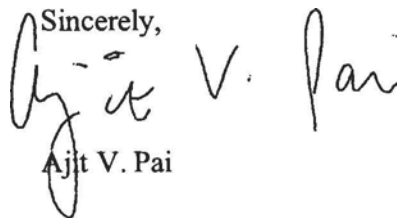
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Ajit V. Pai

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FEDERAL COMMUNICATIONS COMMISSION  
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THE CHAIRMAN

January 15, 2021

The Honorable Chris Coons  
Ranking Member  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
United States Senate  
125 Hart Senate Office Building  
Washington, DC 20510

Dear Ranking Member Coons:

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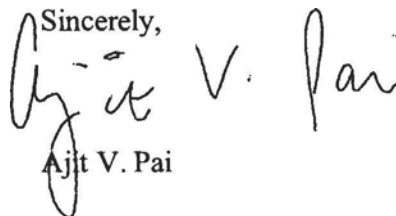
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Sincerely,  
  
Ajit V. Pai

cc: The Honorable Michael Enzi



FEDERAL COMMUNICATIONS COMMISSION  
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THE CHAIRMAN

January 15, 2021

The Honorable Ron Johnson  
Chairman  
Committee on Homeland Security and Governmental Affairs  
United States Senate  
340 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson:

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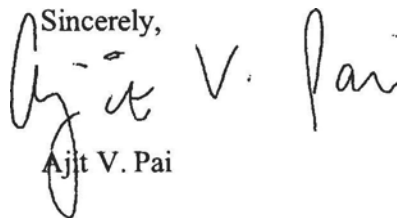
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Sincerely,  
  
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cc: The Honorable Michael Enzi





FEDERAL COMMUNICATIONS COMMISSION  
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January 15, 2021

The Honorable John N. Kennedy  
Chairman  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
United States Senate  
S-128 The Capital Building  
Washington, DC 20510

Dear Chairman Kennedy:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

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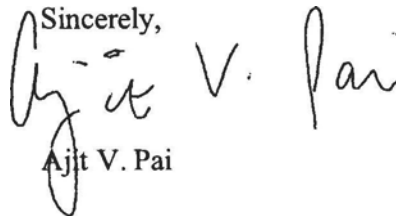
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Sincerely,  
  
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cc: The Honorable Michael Enzi



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

January 15, 2021

OFFICE OF  
THE CHAIRMAN

The Honorable Carolyn B. Maloney  
Chairwoman  
Committee on Oversight and Government Reform  
U.S. House of Representatives  
2157 Rayburn House Office Building  
Washington, DC 20515

Dear Chairwoman Maloney:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

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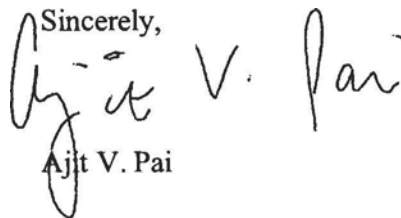
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January 15, 2021

The Honorable Frank Pallone  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

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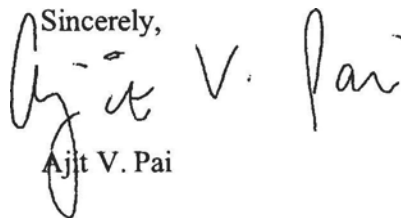
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The Honorable Gary Peters  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Ranking Member Peters:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

The Report makes three recommendations focused on managing fraud risks and designing an antifraud strategy for addressing fraud risks in the E-Rate program. Specifically, GAO recommends that the FCC Chairman direct and coordinate with the Chief Executive Officer of USAC to comprehensively assess fraud risks to the E-Rate program, including implementing respective plans for developing periodic fraud risk assessments; examining the suitability of existing fraud controls; and compiling fraud risk profiles. GAO also recommends that the FCC Chairman ensure that the FCC and USAC follow the leading practices in GAO's Fraud Risk Framework when designing and implementing data-analytics activities to prevent and detect fraud as part of their respective antifraud strategies for the E-Rate program. Finally, GAO recommends that the FCC Chairman direct USAC to clearly define and fully document the data fields in all relevant E-Rate program computer systems to help improve the FCC's ability to understand and use data to manage fraud risks.

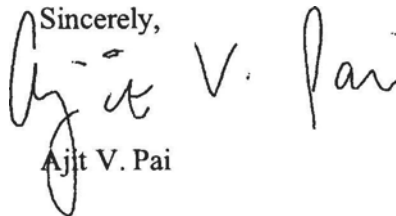
I share your concern in protecting the integrity of E-Rate program funds as we work to close the digital divide and bring digital opportunity to all Americans, including our nation's schools and libraries. During my tenure as FCC Chairman, the FCC has taken additional steps to fulfill its statutory mission to enhance the availability of affordable telecommunications and Internet access services to provide connectivity to schools and libraries and connections for students and library patrons. At the same time, the FCC has been steadfast in its commitment to protect E-Rate program funds, requiring them to be committed for eligible services and equipment provided to eligible entities, for eligible purposes, and in accordance with program

rules. We will continue our efforts to protect E-Rate program funds against waste, fraud, and abuse and ensure they are properly disbursed and used for appropriate purposes.

In their August 28, 2020 response to the draft report, the FCC’s Managing Director and Chief of the FCC’s Wireline Competition Bureau noted that the Commission has taken a variety of administrative and programmatic actions to reduce the risk of fraud in the E-Rate program. The response also indicated the FCC’s agreement with the GAO’s recommendations and intent to implement them. As detailed in that response, the FCC has implemented a comprehensive fraud risk management strategy, which includes an annual risk assessment of the E-Rate and other universal service programs, and performs other long-standing oversight processes concerning the E-Rate program’s internal controls, program management, and audit processes and procedures. The response also reported that the FCC and USAC have been working collaboratively to incorporate the use of data-analytics activities in our fraud risk management plans. The FCC already uses data analytics in the context of investigations and enforcement and is exploring more advanced uses of its data analytics platform to enable predictive analytics and other features to help prevent future instances of fraud. Additionally, we have been coordinating with USAC on USAC’s implementation of its framework to use data analytics to combat future fraud-risks in the E-Rate program. Finally, per GAO’s recommendation, USAC has notified the FCC that it has begun to update its data dictionaries across all data fields in the E-Rate program.

The FCC also looks forward to building on its current fraud risk management efforts by working with USAC to implement GAO’s Fraud Risk Framework for the E-Rate program. As part of this effort, USAC will conduct a fraud risk assessment of the E-Rate program once the ongoing risk assessment of the High Cost program has been completed. The Commission is collaborating with USAC to ensure that these efforts result in an overall fraud risk strategy that can be applied to all of the Universal Service Fund programs.

I appreciate the opportunity to comment on the Report and would be happy to discuss further if you have any questions.

Sincerely,  
  
Ajit V. Pai

cc: The Honorable Michael Enzi





FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

January 15, 2021

The Honorable Mike Quigley  
Chairman  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
U.S. House of Representatives  
2000 Rayburn House Office Building (G Floor)  
Washington, DC 20515

Dear Chairman Quigley:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

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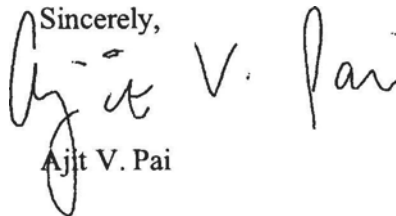
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I appreciate the opportunity to comment on the Report and would be happy to discuss further if you have any questions.

Sincerely,  
  
Ajit V. Pai

cc: The Honorable Michael Enzi



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

January 15, 2021

The Honorable Cathy McMorris Rodgers  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
2322A Rayburn House Office Building  
Washington, DC 20515

Dear Ranking Member Rodgers:

On September 16, 2020, the Government Accountability Office (GAO) released a report entitled *FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program* (Report). GAO was asked to review fraud risk management in the Federal Communications Commission's (FCC) schools and libraries universal service support mechanism (commonly known as the "E-Rate" program). The Report addresses (1) the E-Rate program's key fraud risks; (2) the extent to which the FCC and the Universal Service Administrative Company (USAC) are managing fraud risks in accordance with leading practices; and (3) the extent to which the FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities.

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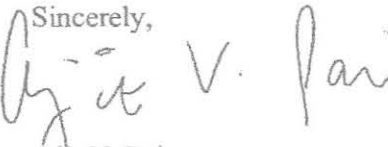
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I appreciate the opportunity to comment on the Report and would be happy to discuss further if you have any questions.

Sincerely,  
  
Ajit V. Pai

cc: The Honorable Michael Enzi



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

January 15, 2021

The Honorable Roger Wicker  
Chairman  
Committee on Commerce, Science, and Transportation  
United States Senate  
512 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Wicker:

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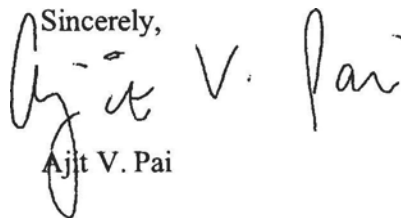
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cc: The Honorable Michael Enzi



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

January 15, 2021

The Honorable Steve Womack  
Ranking Member  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
U.S. House of Representatives  
1016 Longworth Office Building  
Washington, DC 20515

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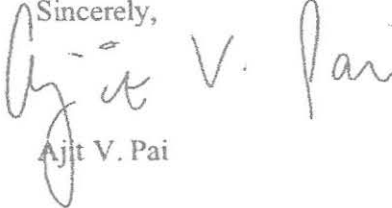
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