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United States Government Accountability Office
Washington, DC 20548

December 12, 2007

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
House of Representatives

Subject: GAO Review of Universal Service Fund (USF) High Cost program

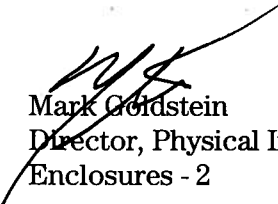
Dear Mr. Chairman:

This letter confirms our commitment to study the USF High Cost program based on your letter to the Comptroller General. In our July 10, 2007, letter to you, we outlined our approach to designing the study. Based on that design and discussions with your staff and staff of Congressman Barton's office on November 8, 2007, we will complete our work and issue a report to you by June 13, 2008.

As agreed with your staff, we will be providing this report in electronic form, in accordance with GAO's move to primarily electronic distribution of reports. Please see enclosure I for the list of committees with whom we will be coordinating. Enclosure II sets forth the understanding reached with your staff on the key aspects of the study, including the form of distribution.

We look forward to working with you and your staff on this assignment. Should you have any questions, please contact me on (202) 512-6670, goldsteinm@gao.gov, or, Mike Clements, Assistant Director, on (202) 512-7763, clementsm@gao.gov.

Sincerely yours,


Mark Goldstein
Director, Physical Infrastructure Team
Enclosures - 2

cc: Amy Levine, Mark Seifert

LIST OF REQUESTERS

The Honorable Joe Barton
Ranking Minority Member, Committee on Energy and Commerce
House of Representatives
(Staff Members: Neil Fried, Peter Spencer)

The Honorable Bart Stupak
Chairman, Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
House of Representatives
(Staff Members: David Nelson, Steven Rangel)

The Honorable Ed Whitfield
Ranking Minority Member, Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
House of Representatives
(Staff Member: Alan Slobodin)

Terms of the Work

Objectives/Key Questions

We will review the Universal Service Fund's (USF) High Cost program in order to determine:

- 1.) What locations and services are funded by the program;
- 2.) What are the goals and objectives of the program, and how is its performance measured;
- 3.) What are the roles of the various organization involved in administering the program; and
- 4.) What internal controls exist, if any, to prevent and detect waste, fraud, and abuse in the program?

Scope

Our report on the USF High Cost program will include a description of the program, including the goals, roles, and responsibilities of all program participants and the locations and services supported by High Cost funding. This will include, but will not be limited to, federal and state agencies, carriers (program participants and non-participants), as well as industry representatives with expertise in the High Cost program. Additionally, we will evaluate the High Cost program's performance measures to determine if these are appropriate to measure the program's goals, and its internal controls to determine if these are appropriate to prevent and/or detect waste fraud and abuse in the program.

Methodology

To describe the High Cost program's functions, goals, performance measures, and internal controls, we will interview officials from and review relevant data and documents provided by the Federal Communications Commission (FCC), the Universal Service Administrative Company (USAC), and the National Exchange Carrier Association (NECA). We will also interview industry representatives and academic experts on the High Cost program, and review relevant reports or studies about the High Cost support. To evaluate the adequacy of the program's goals, performance measures, and internal controls, we will use criteria established in GAO's performance measure and internal control evaluation tools, as well as other applicable criteria. To determine the role of the states in administering the program, we will conduct a Web based survey of public utility commissions in all 50 states and the District of Columbia. To describe the locations and services supported by the program, we will review USAC data on program participants and conduct interviews with telephone carriers. We will meet with national carriers—wireline and wireless—in addition to meeting with small carriers in several states. We will conduct site visits to states representing a variety of demographic and geographic characteristics— Alabama, Arizona, Iowa, Maine,

Massachusetts, Montana, New Hampshire, New Mexico, Oklahoma, Oregon, and Wisconsin. In each state, we will meet with the public utility commission, multiple carriers (including incumbent and competitive carriers), and other relevant organizations. We will complete our work in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Product and Form of Distribution

We will distribute our findings in an electronic report. We will obtain comments from FCC and USAC on a written draft of this product prior to issuance.

Product Delivery Date(s)

We will issue our report by June 16, 2008.

Reporting on Job Status

We will provide status reports at your request or as needed.