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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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April 12, 2007

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The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

Pursuant to Rules X and XI of the U.S. House of Representatives, the Committee on Energy and Commerce and the Subcommittee on Oversight and Investigations are conducting an inquiry into the Federal Communications Commission's (FCC) management of the \$7 billion Universal Service Fund (USF) and its related support programs. As part of this inquiry, we write for your assistance in examining fundamental issues concerning waste, fraud, and abuse in the USF programs.

First among the general purposes of the Communications Act of 1934 is "to make available, so far as possible, to all the people of the United States, without discrimination...a rapid, efficient, Nation-wide, and world-wide wire and radio communications service with adequate facilities at reasonable charges...." The Universal Service Fund has been integral to achieving a nationwide telecommunications service and providing that service to all Americans, no matter where they live, at a reasonable price. Given the importance of the USF and its programs to the past and future of the Nation's communications policy, the Subcommittee asks for your continued assistance.

For example, the Government Accountability Office (GAO) has conducted a number of reviews of the E-rate program since the program's inception, including a review issued in February 2005 to assist the Committee's bipartisan investigation of the program. These reviews, particularly its most recent work, have exposed weaknesses in the program's administration and operational framework and have recommended corrective actions to reduce waste, fraud, and abuse in the annual \$2.25 billion program so that more deserving schools may participate in the E-rate program.

We believe GAO can continue to assist us with our oversight of all of the USF programs. For example, as recommended in the bipartisan staff report on the E-rate program, which was adopted by the Subcommittee on Oversight and Investigations during the 109th Congress, GAO should continue its examination of waste, fraud, and abuse in that program. Given that universal service spending has risen appreciably over the past few years, with the overwhelming majority of that growth attributable to the USF's High Cost program, GAO should devote special attention to the High Cost program and recommend corrective actions.

We also believe it would be useful to take a fresh look at the trajectory of USF program support, and what this signifies about future issues that will confront all four of the USF programs. We seek as well your continued assistance in basic program oversight. Accordingly, we would request GAO assistance in addressing the following questions:

- What types of services and technologies are funded by the USF programs?
- With regard to program structure and operations, what are the strengths and weaknesses of the structural organization of the USF programs as related to the prevention of waste, fraud, and abuse?
- Are sufficient and adequate financial management procedures, controls, and systems in place at the Universal Service Administrative Company (USAC) and the FCC as it relates to the USF programs? What does the FCC do to oversee the financial management of the universal service funds and is this oversight effective? In its relationship with USAC, does the FCC provide clear and timely policy guidance to enable USAC to perform efficiently? For example, is the appeals process structured efficiently to provide clear guidance for future applicants?
- Does the FCC and/or USAC have a robust fraud detection and enforcement mechanism that serves as a real deterrent in each of the four USF programs? Please describe the history and analyze the effectiveness of the FCC and/or USAC's auditing of the programs, including the level of audits conducted in each of the four programs.
- What are the factors contributing to the expansion of the High Cost program? Are the High Cost mechanisms effectively designed to meet the program's statutory goals?
- Is the Rural Health Care pilot program designed and implemented with sufficient safeguards to ensure an equitable and fair distribution of funds?
- What is the participation rate by eligible low-income consumers in the Low Income program? Are carriers fulfilling their duties to advertise the availability of the Low Income program in an appropriate manner to reach low-income consumers?

The Honorable David M. Walker
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Thank you for your prompt attention to this request. If you have questions on the specifics of your study, please have your staff contact David Nelson, Steven Rangel, or Johanna Shelton of the Committee Majority staff at (202) 226-2424 or Peter Spencer or Neil Fried of the Committee Minority staff at (202) 225-3641.

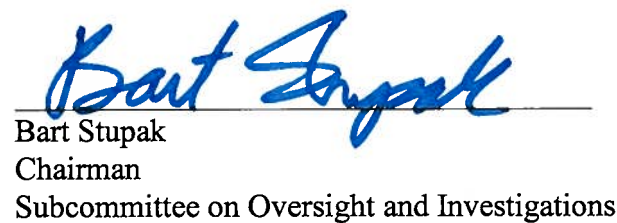
Sincerely,



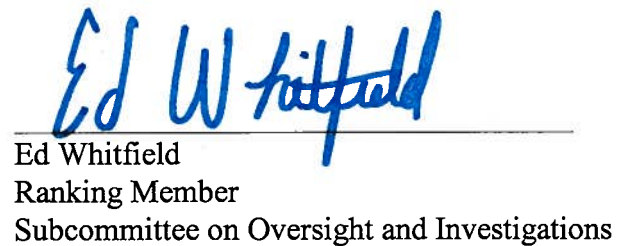
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