



Highlights of [GAO-08-633](#), a report to congressional committees

## Why GAO Did This Study

In the Telecommunications Act of 1996 (1996 Act), the Congress said that consumers in “rural, insular, and high-cost areas” should have access to services and rates that are “reasonably comparable” to those in urban areas. To implement the 1996 Act, the Federal Communications Commission (FCC) modified and expanded the high-cost program. The program provides funding to some telecommunications carriers, facilitating lower telephone rates in rural areas. GAO was asked to review (1) the effect that the program structure has on the level of support and types of services in rural areas, (2) the extent to which FCC has developed performance goals and measures for the program, and (3) the extent to which FCC has implemented internal control mechanisms.

GAO reviewed relevant documents; interviewed federal and state officials, industry participants, and experts; conducted 11 state site visits; and conducted a survey of state regulators, available online at [GAO-08-662SP](#).

## What GAO Recommends

To strengthen management and oversight of the program, FCC should (1) establish short- and long-term performance goals and measures for the program and (2) identify areas of risk and implement mechanisms to help produce cost-effective expenditures. FCC intends to issue a Notice of Inquiry to address GAO’s recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-633](#). For more information, contact Mark Goldstein, (202) 512-2834, [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov).

## TELECOMMUNICATIONS

### FCC Needs to Improve Performance Management and Strengthen Oversight of the High-Cost Program

#### What GAO Found

The high-cost program’s structure has resulted in the inconsistent distribution of support and availability of services across rural America. The program provides support to carriers in all states. However, small carriers receive more support than large carriers. As a result, carriers serving similar rural areas can receive different levels of support. Currently, the high-cost program provides support for the provision of basic telephone service, which is widely available and subscribed to in the nation. But, the program also indirectly supports broadband service, including high-speed Internet, in some rural areas, particularly those areas served by small carriers. The program provides support to both incumbents and competitors; as a result, it creates an incentive for competition to exist where it might not otherwise occur.

There is a clearly established purpose for the high-cost program, but FCC has not established performance goals or measures. GAO was unable to identify performance goals or measures for the program. While FCC has begun preliminary efforts to address these shortcomings, the efforts do not align with practices that GAO has identified as useful for developing successful performance goals and measures. For example, FCC has not created performance goals and measures for intermediate and multiyear periods. In the absence of performance goals and measures, the Congress and FCC are limited in their ability to make informed decisions about the future of the high-cost program.

While some internal control mechanisms exist for the high-cost program, these mechanisms are limited and exhibit weaknesses that hinder FCC’s ability to assess the risk of noncompliance with program rules and ensure cost-effective use of program funds. Internal control mechanisms for the program consist of (1) carrier certification that funds will be used consistent with program rules, (2) carrier audits, and (3) carrier data validation. Yet, each mechanism has weaknesses. The carrier certification process exhibits inconsistency across the states that certify carriers, carrier audits have been limited in number and reported findings, and carrier data validation focuses primarily on completeness and not accuracy. These weaknesses could contribute to excessive program expenditures.

#### High-Cost Program Expenditures

