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FCC Targets USF-Related Waste, Fraud and Abuse

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Following an extensive review of the Commission's rules concerning the Universal Service Fund (USF) program and the prevention of waste, fraud and abuse, the agency introduced a handful of new rules in a *Report and Order* that will stiffen the consequences for those who seek to abuse the system, and increase penalties for those late in paying fees and fines.

Prior to the Commission's August 29 Order, the penalty of "debarment" from participation in the USF program was limited to those who were found guilty or civilly liable for defrauding the schools and libraries program. Under the new rules, this penalty is expanded to include all of USF, including High-Cost, Low-Income and Rural Health Care programs. The Commission also introduced new procedures that will enable the Universal Service Administrative Company (USAC), which operates the USF program, to more effectively identify wrongdoers through its random and targeted auditing programs.

"Debarment of applicants, service providers, consultants, or others who have defrauded the USF is necessary to protect the integrity of the universal service programs," the Commission wrote. "In addition, we also agree with the commenters proposing that the debarred entities should be listed on the Commission's and the USAC website."

The new rules are not limited to the deterrence of potential wrongdoers. Those who have previously abused the program will face considerably higher payments for interest and penalties. The new rules impose an interest rate of 3.5 percent above the prime lending rate.

In addition to strengthening penalties and increasing fines, the Order set forth a series of steps that will enable USAC to keep better tabs on USF participants. A five-year document retention requirement was imposed, requiring all participants to maintain records demonstrating compliance with FCC rules and regulations for at least five years following the receipt of USF support. The only exception to this new requirement was

the retention of the current three-year record retention program for Low-Income participants.

“Recordkeeping requirements not only prevent waste, fraud, and abuse, but also protect applicants and service providers in the event of vendor disputes,” the Commission wrote.

Another method of monitoring participants was the adoption of performance measures, which will require that USAC report performance data of participants to the FCC. The specifics on the performance measures were not provided in the Order, but will be forthcoming.

There are also additional USF rules on the way, as the August Order resulted from a proceeding initiated by the Office of Managing Director following a June, 2005, rulemaking. A separate proceeding launched by the Wireline Bureau will result in additional changes.