



**Federal Communications Commission  
Washington, D.C. 20554**

December 19, 2008

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**TO:** Kevin J. Martin, Chairman

**REPLY TO ATTN OF:** Kent R. Nilsson, Inspector General

**SUBJECT:** Revisions to the Semiannual Report

**CC:** Daniel Gonzalez, Chief of Staff  
Anthony Dale, Managing Director

On December 8, 2008, my office learned of inaccuracies in the most recent Semi-Annual Report to Congress in data provided by USAC that were incorporated into "Table III: USF Round 2 Schools and Libraries Audits through the Quality Assurance Process during this Semi-Annual Report Reporting Period."

Subsequent analysis showed that other data provided by USAC were not correct. USAC confirmed its error. USAC then provided a revised spreadsheet on December 9, 2008 that contained two additional, substantive data entry errors. My office corrected and confirmed all amounts with USAC representatives. The corrected amounts are now restated in Table III.

To revise the Semiannual Report, please replace pages 4, 20 and 22-23 in the original Semiannual Report to Congress with the pages enclosed with this memorandum.

Please accept my apologies for any inconvenience caused as a result of these revisions. In my opinion, this action is required to ensure our record is complete and accurate. Thank you for your continuing support and please let me know if you have any questions or comments.

Kent R. Nilsson  
Inspector General

Enclosures

# *Did you know?*

*FCC Commissioners and staff  
will visit over 100 places  
before 2/17/09 to discuss the  
DTV transition.*



# AUDIT ACTIVITIES

## UNIVERSAL SERVICE FUND (USF) OVERSIGHT

High Cost Program and the attestation examination process. Our purpose is to reduce the number of attest findings, thereby reducing the error rate and erroneous payments. With the addition of audit personnel, it also became possible to institute procedures to followup on findings resulting from all attestation engagements. This will allow us to improve the audit process from the perspectives of efficiency, timeliness and effectiveness.

As stated in the last Semiannual Report, Round 1, which consisted of 459 attestation engagements, was completed except for 48 of the 90 contributor attestation engagements. As of this reporting period, all audit reports including the 48 remaining contributor reports are complete. Details on those contributor audits with recommended funds for recovery of \$1.5 million are contained in Table I. Further, as reported above, IPIA data results from Round 2 have been delivered by the audit firms and USAC is in the process of determining potential recoveries of USF funds from those audits. Several of those audits have been subjected to USAC's quality assurance process and are near finalization. As of the end of the reporting period, the audit firms have reported on an additional 12 high cost fund beneficiaries and iden-

tified improper payments totaling \$360,378 at eight of those locations (see Table II for details). Also, USAC has identified preliminary potential funding recoveries totaling \$1,225,621 at 22 schools and libraries beneficiaries. Please see Table III below for details.

These statistical analyses of the USF programs and targeted attestation engagements will improve the application of investigative and audit resources and yield information to the Commission that will enable it to improve the administration of these programs and further reduce fraud, waste and abuse.

### Support to Investigations

In addition to the audit component of our oversight program, we have provided, and continue to provide, audit and investigative support to United States Department of Justice investigations of E-rate and High Cost fund recipients. To implement the investigative component of this effort, we developed a working relationship with the Antitrust Division of the Department of Justice ("DOJ"). The Antitrust Division, in (continued on page 24)

# AUDIT ACTIVITIES

Table II: USF Round 2 High Cost Audits through the Quality Assurance Process during this Semi-Annual Report Reporting Period		
Assignment Number	Beneficiary	Total Estimated Improper Payment
HC-2007-082	Iowa Rsa No. 2 Limited Partnership	\$94,521
HC-2007-086	Nebraska Tech. & Telecommunications, Inc.	\$13,107
HC-2007-090	North Central Rsa 2 Of North Dakota LP	\$0
HC-2007-092	Northwest Dakota Cellular Of North Dakota LP	\$249,021
HC-2007-171	Barnes City Cooperative Telephone Company	\$0
HC-2007-176	Cedar County Pcs, LLC	\$2,229
HC-2007-182	Rcc Minnesota	\$0
HC-2007-183	Rcc Minnesota, Inc.	\$0
HC-2007-184	Rcc Minnesota, Inc.	\$52
HC-2007-185	Rcc Minnesota, Inc	\$30
HC-2007-187	Sei Wireless LLC	\$1,385
HC-2007-191	Virginia Cellular LLC	\$33
TOTAL Estimated Improper Payments		\$360,378
Total Estimated Improper Payment is as defined by the IPIA and does not necessarily reflect the projected recovery amount. USAC could not provide a preliminary recommended recovery amount in time for inclusion in this report.		

TABLE III: USF Round 2 Schools and Libraries Audits through the Quality Assurance Process during this Semi-Annual Report Reporting Period		
Assignment Number	Beneficiary	USAC Projected Recovery Amount
SL-2007-001	Brentwood Union Free Dist	\$0
SL-2007-005	Clarkstown Central School Dist	\$0
SL-2007-010	Etowah County School District	\$2,305
SL-2007-012	Franklin County School Dist	\$0
SL-2007-018	Hillside Children's Center School	\$0
SL-2007-023	Lowndes County School District	\$0
SL-2007-028	Okeechobee County School Dist	\$0
SL-2007-039	Talmud Torah Tzoin Yosef Pupa Inc.	\$0
SL-2007-041	Anoka-Hennepin School Dist 11	\$90,675
SL-2007-042	Ashe County School District	\$319
SL-2007-048	Hart Indep School District	\$0
SL-2007-049	Inter Lakes Coop School Dist	\$0
SL-2007-050	Iredell-Statesville Sch Dist	\$0
SL-2007-051	Kansas City Unif Sch Dist 500	\$9,714
SL-2007-053	Manhattan Unif School Dist 383	\$1,529
SL-2007-058	Minnetonka School District 276	\$25,395

Table III continued on the following page.

# AUDIT ACTIVITIES

TABLE III: USF Round 2 Schools and Libraries Audits through the Quality Assurance Process during this Semi-Annual Report Reporting Period (continued)

Assignment Number	Beneficiary	USAC Projected Recovery Amount
SL-2007-060	New Lexington City School Dist	\$0
SL-2007-063	Renwick Unif School Dist 267	\$1,209
SL-2007-064	Rippey Elementary2	\$0
SL-2007-067	Shepherd School District 37	\$0
SL-2007-073	Wooster City School District	\$22,247
SL-2007-078	Monroe Twp Public Schools	\$128,868
SL-2007-084	Central Union High School Dist	\$8,496
SL-2007-086	Corcoran Jt. Unified School District	\$0
SL-2007-091	Woodlake Union High Sch Dist	\$0
SL-2007-105	Groesbeck Indep School Dist	\$0
SL-2007-111	Lexington County Public Library	\$0
SL-2007-124	Texas School For The Blind	\$0
SL-2007-128	Aldine Indep School District	\$0
SL-2007-130	Arlington Public School Dist	\$0
SL-2007-131	Azusa Unified School District	\$0
SL-2007-132	Baltimore City School District	\$0
SL-2007-138	Butler County School District	\$18,541
SL-2007-139	Chattooga County School Dist	\$0
SL-2007-145	Clinton Indep School Dist 99	\$0
SL-2007-148	Columbus County School Dist	\$0
SL-2007-156	East Cleveland City Sch Dist	\$236,298
SL-2007-158	Emmett School District 221	\$0
SL-2007-162	Fort Bend Indep School Dist	\$0
SL-2007-166	Gaston County School District	\$11,890
SL-2007-173	Hamden Public School District	\$1,971
SL-2007-175	Hobbs Municipal School Dist	\$11,567
SL-2007-180	Incarnation Elementary School	\$4,110
SL-2007-182	Jackson County School District	\$0
SL-2007-186	Katy Indep School District	\$23,002
SL-2007-192	La Salle Parish School Dist	\$0
SL-2007-194	Lancaster School District	\$460,555
SL-2007-202	Miami-Dade County Public Schools	\$0
SL-2007-206	Msd Lawrence Township	\$0
SL-2007-211	Northridge Local S D-Dayton	\$163,589
SL-2007-219	Pascagoula School District	\$1,356
SL-2007-223	Portsmouth Public Library	\$0
SL-2007-232	Schenectady City School Dist	\$403
SL-2007-244	Thomasville City School Dist	\$1,582
TOTAL USAC Projected Recovery Amount		\$1,225,621