

ATTACHMENT A

ACCOUNTABILITY AND THE FEDERAL UNIVERSAL SERVICE

SUPPORT MECHANISM FOR RURAL CARRIERS

The current programs provide a series of checks and balances to ensure that the data that is submitted by rural carriers is verified and reviewed. NECA utilizes a mechanized data collection process that includes an extensive set of edit and range controls to review the data for reasonableness, including a comparison to prior year data. Each user of this automated system is alerted to significant variations through an automated reporting system that isolates unusual data and requires explanations, which are reviewed by NECA for compliance with the rules. In some cases, additional supporting documentation is required from the rural carrier.

Rural carriers submit high-cost loop support data to NECA on or before July 31st of each year. Rural carriers are required to include with this data submission signed letters of certification attesting to the accuracy of their data. See, 47 C.F.R. Section 69.601. NECA reviews the submitted data for accuracy and conformance with FCC rules, including reconciling the data to financial records that support the rural carrier's cost studies. If input errors are detected, corrections are made to the data.

NECA also conducts focused cost study reviews each year, which includes a review of some of the basic accounting data that is entered into the algorithm that produces the amount of each company's high-cost loop support level.

While a certain number of audits have been conducted on an annual basis in the past, this activity is increasing in 2005. There are three additional third-party reviews planned in 2005. USAC will conduct 700 audits of universal service fund recipients this year, including 250 high-cost fund recipients. The FCC Office of Inspector General plans to audit the USF high cost support program. As part of this audit, they are planning 250 field audits of companies receiving support. In addition, the FCC's Investigation and Hearings Division Enforcement Bureau will be conducting audits of the Universal Service Program, but no specific number of audits has been announced.

In sum, there are a number of systems currently functioning to provide accountability for the rural carriers that receive federal universal service support.