

Why GAO Did This Study

The Federal Communications Commission's (FCC) Low-Income Program, administered by the Universal Service Administrative Company (USAC) and supported by the Universal Service Fund (USF), provides low-income households with discounts on installation costs for new telephone service and monthly charges for basic telephone service. In this requested report, GAO examined (1) how program participation and support payments have changed over the last 5 years (2005-2009), and factors that may have affected participation; (2) the extent to which goals and measures are used to manage the program; and (3) the extent to which mechanisms are in place to evaluate program risks and monitor controls over compliance with program rules. GAO surveyed state public utility commissions; reviewed key policies, procedures, and rules; and interviewed agency officials and stakeholders.

What GAO Recommends

FCC should (1) clearly define performance goals and develop quantifiable measures that can be used to determine the program's success, (2) conduct a needs assessment and develop implementation and evaluation plans for the proposed low-income pilot programs, (3) conduct a robust risk assessment, and (4) implement a systematic process to consider audit results. FCC agreed with GAO's recommendations.

View [GAO-11-11](#) or key components. View the results of the GAO survey online at [GAO-11-13SP](#). For more information, contact Lorelei St. James, (214) 777-5719, St.JamesL@gao.gov.

TELECOMMUNICATIONS

Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program

Low-Income Program participation and support payments have increased since 2005 due to many factors. Program participation was stable from 2005 to 2008, from 6.9 million to 7.1 million participants, but increased to 8.6 million in 2009. Likewise, support payments were relatively stable from 2005 to 2008, from \$802 million to \$823 million annually, before increasing to approximately \$1 billion in 2009. The increases in 2009 were primarily due to the addition of a prepaid wireless service option in certain states, which allows program participants to obtain a free wireless handset and an allotment of free minutes each month. The Low-Income Program has no funding cap and USAC officials project its support payments to reach \$1.4 billion in 2010. They said participation and payments will likely continue to increase beyond 2010 as prepaid wireless service options become available in additional states.

FCC has taken limited steps to develop performance goals and measures for the Low-Income Program, however, these steps do not fully align with useful practices for developing successful goals and measures. While performance goals and measures specific to the Low-Income Program would enable FCC to more effectively manage the program and determine its success, FCC has not made developing such measures a priority and, as a result, has limited insight on the intent of the program and what it is accomplishing. FCC might conduct pilot programs as it considers expanding the Low-Income Program to include broadband service (high-speed Internet access), as proposed by the National Broadband Plan. For the broadband pilot programs, if conducted, it is important that FCC develop a needs assessment and implementation and evaluation plans to increase confidence in the results. If implemented properly, the pilot programs would enable FCC to improve its data collection for low-income households and could help facilitate program and policy decisions for the Low-Income Program in the future.

Although FCC and USAC have some mechanisms in place to identify and evaluate risks and monitor compliance with program rules, the Low-Income Program lacks key features of effective internal controls. FCC and USAC primarily use audit findings to monitor compliance with program rules. However, the number and scope of USAC's audits have been limited and there is no systematic process in place to review the findings of those audits that are conducted. Further, FCC and USAC have not conducted a risk assessment specific to the Low-Income Program that includes consideration of all program vulnerabilities, such as the possibility that multiple carriers may claim support for the same telephone line and that households may receive more than one discount, contrary to program rules. According to GAO standards, FCC should identify all risks to meeting the program's goals and objectives and have a process to systematically consider audit findings when assessing the effectiveness of its internal controls. Without these mechanisms, FCC and USAC may not be capturing and addressing programmatic risks and collecting information that could be leveraged to assess compliance with program rules and strengthen internal controls.