

[Report 19-13](#)

August 2019

State Auditor

[Joe Chrisman](#)

Universal Service Fund

FY 2017-18 and FY 2016-17

Public Service Commission

Background

The Universal Service Fund (USF) was established in 1993 to ensure that all residents of Wisconsin receive essential telecommunications services and have access to advanced telecommunication service capabilities. In subsequent years, legislation has authorized the use of the USF for other purposes. In addition, providing access to advanced telecommunications service capabilities was eliminated as a purpose of the USF by 2011 Wisconsin Act 22.

The USF is funded by assessments on telecommunications providers that providers typically recover from consumers. The Public Service Commission (PSC) is responsible for establishing policies and procedures for the USF and for levying the assessments. The PSC is also responsible for financial reporting for the USF. At the request of the PSC, we conducted a financial audit of the USF by auditing the financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and recommending improvements.

Audit Results and Key Findings

We provided an unmodified opinion on the USF's financial statements for fiscal year (FY) 2017-18 and FY 2016-17. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

In FY 2017-18, revenues from assessments on telecommunications providers totaled \$41.5 million. The USF expended \$37.2 million in support of 13 programs managed by four state agencies. We also found:

- The two largest programs funded from the USF are Aid to Public Library Systems and the Educational Telecommunications Access Program (TEACH).
- The USF's fund balance increased during FY 2016-17 and FY 2017-18 and was \$35.3 million as of June 30, 2018, as accounted for in accordance with generally accepted accounting principles. This increase was due, in part, to a \$12.5 million transfer required by 2017 Wisconsin Act 59, the 2017-2019 Biennial Budget Act, from the Department of Administration's (DOA's) federal E-rate appropriation. As of June 30, 2018, the fund balance included \$21.2 million in commitments to make future payments for existing awards made to participants in various USF programs.
- In response to a prior audit recommendation, the PSC developed a fund balance policy that it used when determining assessments on telecommunications providers for FY 2017-18.

Audit Recommendations

We report two significant deficiencies in internal control over the USF and that are related to the TEACH program, which is managed by DOA. We recommend DOA ensure it communicates to the PSC all information necessary to prepare the USF financial statements, review its automated process for invoicing educational institutions, comply with statutes by requiring educational institutions to pay for each month of services received, and report to the Joint Legislative Audit Committee by February 21, 2020.

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