Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Maximizing Efficiencies in Universal Service Administration	)	WC Docket No. 26-173
	)	

COMMENTS OF
WTA – ADVOCATES FOR RURAL BROADBAND

WTA – Advocates for Rural Broadband ("WTA") submits these comments in response to the Notice of Proposed Rulemaking seeking input on potential reforms of the Universal Service Administrative Company ("USAC") processes and oversight.[1] WTA is a national trade association representing approximately 400 small, rural local telecommunications carriers. The typical WTA member company serves fewer than 5,000 customers per service area and has fewer than 50 employees. WTA's members provide voice, broadband and other communications-related services to some of the most remote, rugged, sparsely populated, and expensive-to-serve areas of the United States, and have been at the forefront of providing advanced services to these very difficult to serve territories. WTA's members also receive funding under the Commission's various Universal Service Fund programs, and thus they regularly interact with USAC.

WTA appreciates all the work that USAC does in carrying out the Commission's directives concerning various universal service programs established by Congress in Section

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1 *Maximizing Efficiencies in Universal Service Administration*, FCC 26-52, released August 7, 2026, 91 Fed Reg 55826 (August 31, 2026) (hereafter cited as "*NPRM*").

254 of the 1996 Telecommunications Act. But WTA also agrees with the Commission that the public interest could benefit from periodically re-examining USAC's activities, structure and policies to see whether there is room for improvement or increased efficiencies.[2] WTA therefore welcomes this opportunity to address some of the issues raised in the *NPRM* with regard to ways in which USAC could perform its role more effectively and economically, while also avoiding imposing unnecessary costs and burdens on WTA's members.

I. Audits

Of primary concern to WTA's members is USAC's audit processes, which can be overly burdensome, time-consuming and confusing.[3] WTA and its members appreciate the need for USAC to conduct audits to ensure that carriers receiving USF payments are using those funds properly. Moreover, we recognize that random audits are an efficient way of ensuring compliance without burdening USAC or the carriers by requiring every carrier to undergo constant audits.[4] But the Commission must also recognize that these random audits place significant burdens on very small rural telcos and are a huge strain on their limited resources.[5] Moreover, to make matters worse, our members find that the current USAC audit

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[2] As a general matter, WTA notes that the *NPRM* calculates the USAC costs for overseeing the USF programs at an "overhead" of 3.06%. *See*, *NPRM* at n. 63. By way of comparison, Syracuse University examined the overhead costs at 10 large charities and calculated that the administrative expenses (as opposed to program costs or fundraising costs) ranged from 0.93% to 18.5%, with an average of 7.19%. So USAC is less than half the average. https://onlinegrad.syracuse.edu/blog/big-non-profit-budgets-spending/.

[3] *See generally*, *NPRM* at ¶¶ 23-26.

[4] In these comments, we distinguish between "random audits" and those that are required because of an investigation or other reason to suspect non-compliance ("for cause audits").

[5] One of our members recently went through an audit that lasted two years. Because it is a small company with fewer than ten employees, it had to outsource a lot of the work on that audit. In addition to consuming many of its own employees' time to work on the audit, the amount of contract hours it had to spend on these outside consultants, engineers and

process is also best characterized as "Kafkaesque,"[6] as demonstrated by their experiences described below.

As a general matter, our members have had to undergo concurrent random audits (both Payment Quality Assurance (PQA) assessments and Beneficiary and Contributor Audit Program (BCAP)), as well as random audits in consecutive years over as many as four years. As discussed below, the Commission should employ a mechanism to reduce the burden of random audits. But there are also significant problems experienced by our members with the way in which the audits are currently conducted:

Burdensome requests with unrealistically short deadlines

A common complaint is that our members receive burdensome requests and typically are provided only two days to respond. As one WTA member described their recent experience:

> I have had four USAC audits (PQA & BCAP) in the last four years. I would say my biggest complaint has been delivery of request and timeline (two days is not enough) in combination with requests spent on things that are not material. I am in an audit right now. I got a request last Monday they wanted by Wednesday, and I was out of the office Wednesday so worked Tuesday night to get it done. After delving into the request, I had found most of it was stuff they requested 6-8 weeks ago that it turns out they never downloaded to the portal, but it took me an entire day to sort through it all. Then, after rushing through that and getting it in Tuesday before I was out Wednesday, I got one Wednesday while I was out, and it was due Friday when I was out again and had all day meetings on Thursday. I definitely feel they should not send requests at 4pm on Friday (happens frequently), and all requests should have a standard one or two week reply window.

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accountants totaled approximately $150,000, for an audit that was reviewing $350,000 in USF payments. For companies on model-based support, there is no mechanism for recovering those outside consultant costs.

[6] https://www.merriam-webster.com/dictionary/Kafkaesque:

> Kafkaesque (adjective) -- Kaf·ka·esque: of, relating to, or suggestive of Franz Kafka or his writings, *especially*: having a nightmarishly complex, bizarre, or illogical quality.

Another WTA member explained:

> In a recent PQA, we were asked to provide documentation on plant placed in service in 1995. This was 30 years ago. The documentation was not easily accessible. It was stored in a box in a warehouse. We had to locate the documents then scan the paper copies because there were no digital copies available. This was time consuming. A two-day turnaround was impossible. We have had three PQA audits in the last two years. Two of these were concurrent. We are a small company with a very small accounting team. The two concurrent audits were going on in the first part of the year while were conducting our annual financial audit as well as the numerous regulatory and tax filings that must be prepared for the prior year. Each of these audits had multiple requests, some of them at the same time, and each giving us a two-day deadline. When a small team is already stretched thin this becomes too much. In a recent PQA, we were asked to justify 106 different expenses as part of their expense testing. We were asked to "be as specific as possible" for each expense. We were given two days to complete this request. I had to cancel meetings and put off all other work to complete this on time.

Audits can drag on as long as three years or more

Despite the short deadlines imposed on our members by the auditors, the auditors seem to work on a leisurely pace. It is not unusual for audits to take as much as three years to complete. And to add insult to injury, our members are not updated on the status of their audit, nor do the auditors communicate when the audit is closed (unless our members specifically ask – and many are reluctant to "poke the bear").

Inconsistent guidance from different teams of auditors

Members have found that there is a lack of consistency in guidance provided by different teams of auditors. In cases where companies have audits in consecutive years, they will be told that the guidance provided by the previous USAC audit team, which they then followed, was incorrect. It is very disconcerting to our members to get "dinged" in an audit for following the guidance of a prior USAC audit team.[7]

Lack of knowledge of communications technologies by auditors

Our members have found that different audit teams seem to have differing degrees of

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[7] *Cf.*, *NPRM* at n. 39.

knowledge with regard to telecommunications technology and the telecommunications industry. While they are knowledgeable about accounting and audits, some of the auditors are unfamiliar with the telecommunications industry (typically much more often with the outside auditors than the USAC auditors). As a result, our members then need to expend additional time explaining these issues to the auditors.

By way of example, one WTA member indicated:

> In a recent PQA I had to have multiple phone calls and emails with the auditor to explain how material costing is calculated in telecom accounting. Specifically, that overhead is allocated to the material costs. They could not understand why the per unit cost in the CPR did not match the material cost for that item.

And another WTA member explained that:

> The audit team really struggled with questions on Continuing Property Records because they aren't familiar with Innovative Systems' platform. We basically had to do all that work for them and educate them on the numbers.

Trivial discrepancies/issues

Our members have experienced expending significant time and effort with auditors on truly trivial and/or non-material matters. With one of our member companies, it received a "clean audit" except for a disagreement on whether a $34 expense to buy flowering plants for the office landscaping was allowable. Another member had two PQA audits in three-and-a-half years. In the first one they found a $254 over-payment and this second one $37. Yet another member got "dinged" in its audit because it did not have in its files the original receipt for a truck purchased 30 years ago, which had long since been fully depreciated. And another member was "dinged" because it had a policy of giving its customers partial refunds if they cancelled monthly service before the end of the billing period. Apparently the auditor frowned on partial refunds, despite that being a benefit to customers.

II. Recommendations to Reduce Unnecessary Audit Burdens

The *NPRM* recognizes the burdens random audits place on small providers, and suggests creating a *de mininis* exception from random audits.[8] Given the costs imposed on the service providers by audits – as well as the costs incurred by USAC in conducting audits – and the relatively low amount of cost misallocations potentially at stake, such a *de minimis* exception makes sense. But depending on what level that exemption is set at, many of WTA's members could still be subject to costly and burdensome random audits. WTA thus suggests that the Commission additionally create a procedure to ensure that a small company need undergo a random audit no more than once every six years.[9]

Another way for the Commission to reduce the burdens and enhance the efficiency of the USAC audit process would be to have USAC (and its contract auditors) utilize an "audit collaboration portal," rather than just the current Box Portal, which simply serves as a document repository. A more sophisticated audit collaboration portal replaces email-driven audits with a secure, structured space: requests, documents, communication and status in one place, tracked automatically and logged.[10] Such a portal would also allow the USF recipient companies to monitor the status of their audits on a real-time basis. The ability to track the status of the audits would also allow the auditors to work more efficiently by shutting down an audit if they determine that there are no non-trivial problems discovered when a certain

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[8] *NPRM* at ¶ 26.

[9] In an analogous situation – the random broadcast EEO audits – the broadcaster can request that the Commission rescind the audit request if that broadcaster had been subject to a random audit in the previous two years. *Cf.,* 2025 Public Notice announcing the randomly selected broadcast EEO audits (https://docs.fcc.gov/public/attachments/DA-25-673A1.pdf).

[10] *E.g.*, https://www.alkmist.com/audit-collaboration-portals-accounting-firms.

percentage (*e.g.*, 50%) of the audit is completed, thus saving significant resources for both the auditors and the companies.

The *NPRM* also seeks comment on whether USAC's auditors currently receive adequate training.[11] Based on WTA's members' experiences, additional training of all auditors may be necessary to ensure consistency between the audit teams with regard to interpreting the Commission's rules and the guidance offered during audits. In addition, more training of third-party contractors is necessary, given their apparent lack of knowledge of the industry. On the other hand, if the Commission follows our advice and shortens or reduces the number of random audits USAC will be performing, then USAC may have less of a need to utilize third-party contractors to perform audits.

The *NPRM* also suggests the possibility of using extrapolation to increase recoveries rather than seeking recovery for only the violations identified by the auditor in the sample.[12] WTA is concerned that such an approach could be problematic for small telephone companies, which will have small data sets, thus creating a potential risk of outsized liability for even a single mistake. The *NPRM* asks: "[s]hould USAC provide the recipient an opportunity to present additional evidence before withholding or recovering support?"[13] WTA maintains that it would be unfair to impose such penalties without providing an opportunity to rebut a claim based on "statistical likelihood." Moreover, small telephone companies are unlikely to have in-house expertise in statistics, thus necessitating spending money to retain outside experts. If anything, a finding of a potential violations could trigger an escalation of the "random audit" to

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11 *NPRM* at ¶ 38.

12 *NPRM* at ¶ 28.

13 *Ibid.*

a "for cause" audit, rather than automatically extrapolating liability.

III. Additional Issues

WTA wants to also comment briefly on a few of the other issues raised in the *NPRM*. The Commission proposes to move to a "pay and dispute" system, rather than only requiring the company to pay disputed reimbursements after the company has exhausted its opportunity to have USAC (and then potentially the Commission) review its challenge to any assessment.[14] If the Commission goes to such a system, it must also provide a mechanism for repaying the company with interest if it prevails in its challenge.

The *NPRM* also seeks comment on whether changes should be made to USAC's Board of Directors.[15] WTA is a proponent of the maxim – "if it ain't broke, don't fix it." The current Board composition of representatives of different sectors of the affected industries and people provides the Board with necessary expertise and perspective. As for reducing the size of the Board, it is not clear that there would be much in the way of cost savings, particularly if the Commission adopts it proposal to allow virtual Board meetings. With regard to potential conflicts, WTA believes that can adequately be addressed through the current policies, and it should suffice to have the Board members "acknowledge and accept their responsibilities and agree to comply with the provisions within the Board's ethics policy,"[16] and annually sign a certificate that they understand and will comply with USAC's ethics policies.[17] In addition, the ability of any Board Member (and the Board as a group) to influence policy is limited, because

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[14] *NPRM* at ¶¶ 34-35.

[15] *NPRM* at ¶¶ 49-60.

[16] *NPRM* at ¶ 54.

[17] *NPRM* at ¶ 55.

USAC merely follows the policies, practices and obligations established by the Commission.[18]

In addition, the *NPRM* raises concerns about the speed at which USAC operates and possible delays, suggesting that a "shot clock" may be necessary.[19] WTA appreciates and supports the proposals to increase the speed and transparency of USAC's actions. But because USAC often needs guidance or direction from the Commission, since it cannot make any policy decisions on its own, the Commission must ensure that it is not a source of delay.

Finally, the *NPRM* asks "whether there are any changes that can be made to USAC's current outreach processes in its administration of the USF programs to enhance the efficiency of that outreach."[20] WTA's members appreciate the efforts that USAC makes to provide educational resources through events such as webinars. However, it would be much more useful if as part of that they also answered questions, rather than simply scrolling through a slide deck and reading from a script.

In conclusion, WTA appreciates the Commission's efforts to examine and reform USAC's policies and procedures so that they are efficient and effective. WTA and its members stand ready to provide the Commission with any further assistance it needs in this endeavor.

Respectfully submitted,

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[18] *FCC v. Consumers' Research*, 606 U.S. 656, 693 (2025).

[19] *NPRM* at ¶¶ 18-22.

[20] *NPRM* at ¶ 14.