

98-10 An Audit: Universal Service Fund, Public Service Commission

Summary

1997 was the second calendar year of operation for the Universal Service Fund, which was established under 1993 Wisconsin Act 496 to ensure that all state residents receive essential telecommunication services and have access to advanced telecommunication capabilities, such as the Internet. The Public Service Commission (PSC) is responsible for the Fund's policies and procedures but has been directed by statutes to contract with an outside vendor to administer the Fund. PSC has contracted with Williams, Young and Associates, LLC, a public accounting firm, for these services.

We completed a financial audit of the Universal Service Fund at the request of PSC, to fulfill its audit requirements under s. 196.218(2)(d), Wis. Stats. Our report includes our unqualified opinion on the Universal Service Fund's financial statements and notes for calendar years 1997 and 1996, as well as the auditor's report on compliance and on internal control over financial reporting. We found that the administrator has properly collected and accounted for the Fund's revenues and expended its resources in accordance with the provisions established by PSC or as directed by the Legislature.

However, we also found that PSC has not fully developed all of the programs it established to enhance telecommunication capabilities around the state, and it expended only \$2.93 million of the \$8 million it had budgeted for programs and administration during calendar year 1997. During that period, the Fund collected \$4.84 million in assessments from telecommunication providers and other revenue sources. Therefore, its balance increased by \$1.91 million, to reach \$6.27 million at the end of the Fund's second year of operation. To reduce this balance, PSC temporarily suspended revenue assessments against telecommunication providers effective January 1998.

The Legislature also intends to fund the Educational Telecommunications Access Program, which is one of five programs related to the Technology for Educational Achievement (TEACH) initiative created in 1997 Wisconsin Act 27, from the Universal Service Fund. The Educational Telecommunications Access Program is intended to provide enhanced telecommunication services for eligible school districts, technical college districts, private colleges, and private library boards by helping to fund direct access to the Internet and making possible the use of two-way interactive video, which allows participants to view and respond to instructional presentations made from off-site locations. The Legislature appropriated \$12.32 million from the Universal Service Fund for this program in the 1997-99 biennium.

As of May 31, 1998, the Universal Service Fund had not incurred any expenditures under the Educational Telecommunications Access Program. However, because the entire \$12.32 million appropriation for this program is available to the TEACH Board for expenditure at any time during the 1997-99 biennium, PSC will need to re-institute the assessment against telecommunication providers.

The Legislature has required PSC and the TEACH Board to report to the Joint Committee on Finance regarding certain financial activities of the Universal Service Fund by August 15, 1998. At that time, the Joint Committee on Finance may wish to ensure that the fees assessed against the telecommunication providers are sufficient and timely to fund all Universal Service Fund expenditures
