

**BRIEFING SHEET**[Report 17-11](#)

June 2017

**State Auditor**[Joe Chrisman](#)**Universal Service Fund  
FY 2015-16 and FY 2014-15***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 has been eliminated as a purpose of the USF.

The USF is funded by assessments on telecommunications providers that are typically recovered 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) 2015-16 and FY 2014-15. 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 2015-16, revenues from assessments on telecommunications providers totaled \$41.3 million. The USF expended \$39.6 million in support of 14 programs managed by four state agencies.

We also found:

- Aid to Public Library Systems, which is managed by the Department of Public Instruction, represented 37.9 percent of the USF's FY 2015-16 program expenditures. The USF has been the sole funding source for Aid to Public Library Systems since FY 2008-09.
- The Educational Telecommunications Access Program, which is managed by the Department of Administration (DOA), represented 35.9 percent of the USF's FY 2015-16 program expenditures. This program subsidizes the cost of broadband network services for pre-K-12 schools and other educational institutions and, beginning in FY 2015-16, supports educational technology training and infrastructure.
- 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, directed \$6.0 million of USF funding be used for the Broadband Expansion Grant Program.
- The PSC did not consider the balance in the USF when determining assessments on telecommunications providers. The fund balance increased during FY 2014-15 and FY 2015-16 and was \$14.1 million as of June 30, 2016, as accounted for in accordance with generally accepted accounting principles.

**Audit Recommendations**

We recommend the PSC establish a policy related to the minimum fund balance for the USF. We again report a material weakness in the PSC's internal control over financial reporting for the USF and make recommendations for the PSC to improve its financial reporting process. We also report a significant deficiency in DOA's centralized cash reconciliations, which are relied upon by the PSC for the USF.

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