



Universal Service Fund

Background

The Universal Service Fund (USF) was originally established to ensure that all residents of Wisconsin receive essential telecommunications services and have access to advanced telecommunication service capabilities. However, subsequent legislation eliminated providing access to advanced telecommunications service capabilities as a purpose of some USF programs. Statutes have also authorized the use of USF funds for other purposes. 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 is responsible for levying the assessments.

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) 2013-14 and FY 2012-13. 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 governmental accounting standards.

In FY 2013-14, the USF assessment revenues totaled \$42.7 million and the USF provided [\\$39.6 million](#) in funding for 13 programs operated by four state agencies. We also found:

- A program known as the [TEACH program](#), which is managed by the Department of Administration, subsidizes the cost of broadband network services for pre-K-12 schools and other educational institutions and represented 42.4 percent of the USF's FY 2013-14 program expenditures.
- [Aid to Public Library Systems](#), which is managed by the Department of Public Instruction, represented 37.9 percent of the USF's FY 2013-14 program expenditures. The USF has been the sole funding source for Aid to Public Library Systems since FY 2008-09.
- The PSC managed [seven USF programs](#), which represented 8.4 percent of the USF's FY 2013-14 program expenditures. In general, these programs provide access to basic telephone and information services for individuals with low incomes or disabilities, or assist nonprofit medical clinics and public health agencies in purchasing medial telecommunications equipment.
- The PSC did not use the USF's cash to [offset provider assessments](#) for FY 2013-14 or FY 2014-15.
- As of June 30, 2014, the USF's fund balance was [\\$10.4 million](#), as accounted for in accordance with generally accepted accounting principles (GAAP).

Audit Recommendations

We report a [material weakness in PSC's internal control](#) over financial reporting for the USF. We recommend the PSC take steps to prevent or detect errors in the preparation of the USF's financial statements and notes, including implementing a thorough secondary review process.