

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of

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Reforms of USAC Processes

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Docket Nos. 96-45, 97-21

**COMMENTS
OF
NTCA–THE RURAL BROADBAND ASSOCIATION**

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TABLE OF CONTENTS

Executive Summary i

I. INTRODUCTION 1

II. DISCUSSION 3

 A. Audit Processes Should Align with the Resources and Capabilities of
 Small Providers 4

 B. Audits Should Proceed with Defined Deadlines 5

 C. Audits Should Be Aimed at Material Rather Than Immaterial Discrepancies ... 8

 D. The Overall Audit Process Should Strive for Consistent Interpretation and
 Application of Commission Rules 10

 E. Secure Communications Repositories with Automatic Notification
 Functions Can Improve Efficiency and Responsiveness 11

 F. Assessment of Milestone Achievement 12

III. CONCLUSION 13

EXECUTIVE SUMMARY

NTCA–The Rural Broadband Association (NTCA) submits these comments in response to the Commission’s inquiry into strengthening processes at the Universal Service Administrative Company (USAC) and management structure. NTCA and its members recognize the essential role USAC plays in administering the Universal Service Fund and suggest that targeted refinements as the Commission directs and oversees USAC will relieve unnecessary burdens on small rural providers without compromising program integrity.

NTCA’s recommendations fall into six areas. First, USAC should avoid conducting multiple concurrent audits of a single program participant, as simultaneous audits strain the limited staff and financial resources of small providers. Second, audits should operate under defined timelines and “shot clocks” for both individual data requests as well as overall audit duration. Third, audits should apply established materiality thresholds to focus oversight resources on discrepancies of genuine consequence, rather than deviations whose investigation costs exceed the amounts at issue. Fourth, USAC should establish a clearinghouse for audit guidance, including advisory opinion mechanisms used by other Federal agencies as well as continuing education programs. Fifth, USAC should modernize its communications infrastructure by implementing secure, dedicated systems for communications automatic notifications and streamlined points of contact to USAC staff with subject matter expertise. Sixth, the Commission should direct USAC to correct its online portal to enable accurate tracking of Tribal and non-Tribal milestone compliance. These recommendations will increase efficiencies and reduce burdens while not compromising integrity of the program.

“consistent with” the [Commission’s] rules, ‘orders, written directives, and other instructions.’”³ This relationship enables, in the vast majority of instances, the Commission’s fulfillment of the Universal Service mandates of the Telecommunications Act of 1996. Nonetheless, certain processes and practices employed by USAC in carrying out these administrative functions are in obvious need of review and improvement. NTCA therefore welcomes this inquiry and herein identifies opportunities to refine these processes in order to improve efficiency and reduce unnecessary burdens.

As described in the Public Notice, USAC is a subsidiary of the National Exchange Carrier Association (NECA) but is not subject to NECA’s management or operational control. USAC is instead subject to the Commission’s guidance and direction. USAC’s function is purely administrative: its operations are prescribed by the Commission and subject to Commission oversight. The Commission “appoints the [USAC] Board of Directors . . . approves its budget . . . ‘may not make policy’ and must carry out all its tasks ‘consistent with’ the [Commission’s] rules, ‘orders, written directives, and other instructions.’”⁴ This control goes so far as to prohibit USAC from “interpret[ing] unclear provisions of the statute or rules, or interpret[ing] the intent of Congress” and requiring USAC to “seek guidance from the Commission when the Act or rules are unclear.”⁵

Fully in control of USAC, the Commission now seeks comment on what steps it can take toward “strengthening USAC’s internal processes and improving its management structure to

³ *Id.* slip op. at 31 *citing* 47 CFR §§ 54.703(b)-(c), 54.715(c).

⁴ *Id.* slip op. at 5 *citing* 47 CFR §§ 54.703(b)-(c), 54.715(c).

⁵ Public Notice *supra* n. 1 at 3 (internal citation omitted).

increase efficiency in the administration of USF programs.”⁶ This, too, affirms the definitional role of the Commission in establishing the boundaries within USAC operates and how the Commission might now evolve its standards from which USAC derives its administrative processes.

II. DISCUSSION

NTCA represents approximately 850 locally operated broadband and communications providers in rural areas throughout the United States. On average, NTCA members serve 6,500 customer locations. More than one-quarter of NTCA members have service areas larger than 2,000 square miles. Nearly 90% of its member serviceable locations on average are served by optical carrier/fiber to the premise.⁷ NTCA members’ sparsely populated service areas combined with the high capital costs of network deployment position these companies to participate in and obtain significant benefit from the USF. They are, accordingly, familiar with the full range of USAC functions.

In preparing these comments, NTCA obtained information from its members as well finance, management, and engineering firms that support NTCA members and other recipients and beneficiaries of USF support. Through these NTCA identifies specific opportunities with regard to USAC audit and other procedures that should result in improved communications, greater responsiveness, and the elimination of unduly burdensome or immaterial processes.

Before turning to specific recommendations, however, NTCA makes clear that the industry does not question the value of effectively conducted audits. Audits are necessary to

⁶ *Id.*

⁷ NTCA Broadband/Internet Availability Survey Report 2025, at 1 (<https://www.ntca.org/sites/default/files/documents/2025-12/2025BroadbandInternetAvailabilityReport.pdf>) (last visited May 13, 2026).

ensure compliance with programmatic requirements, and proper stewardship of public funds is essential both to the fulfillment of Universal Service mandates and to public confidence in these programs. The recommendations below are directed at making audits more efficient and proportionate, not at reducing their rigor.

A. AUDIT PROCESSES SHOULD ALIGN WITH THE RESOURCES AND CAPABILITIES OF SMALL PROVIDERS

USAC conducts several categories of audits, including Payment Quality Assurance (PQA), Beneficiary and Contributor Audit Program (BCAP), Supply Chain Audit Program (SCAP), and Program Integrity Reviews focusing on Lifeline and E-Rate. Program participants may be selected for audit based on random sampling or identified risk factors such as cost-per-loop metrics or significant changes in reported costs. These audits are comprehensive, commonly extending over months or years, and demand extensive document production and reconstruction of timelines and expenses.

NTCA members are small businesses. On average, NTCA members employ approximately 40 employees or full-time equivalents. Staff and executives often serve multiple roles within the same company. It is not uncommon for a General Manager to also serve as Regulatory Compliance Manager, among other functions. That individual's ability to devote sustained attention to audit processes is by definition limited. Small providers may alternatively retain external management consulting or accounting firms to assist - a solution that, while helpful, typically involves substantial costs incurred on an hourly basis.

NTCA recommends that USAC refrain from conducting multiple concurrent audits of a single program participant. Concurrent audits of a single program participant strain small staffs. This is not simply a matter of employees arriving earlier or staying later. Rather, concurrent

audits can force small providers to shift limited human and financial resources away from network deployment and management to respond to redundant or overlapping audits.

The integrity of the USF program will not be compromised by this approach. Overlap among certain audit types (for example, BCAP and PQA audits) will capture issues warranting recovery or correction. An audit focused on one area will organically produce prospective compliance benefits in other areas that could be the subject of other audits. The incremental gains, if any, of simultaneous audits do not justify the compounding costs and burdens they impose on small providers. For these reasons, simultaneous audits should be avoided.

B. AUDITS SHOULD PROCEED WITH DEFINED DEADLINES

USAC audits commonly extend over months and often years. Audited entities are frequently required to respond to extensive data requests within compressed timeframes. One NTCA member related successive data requests with 48-hour turnaround times – a request on Monday for information by Wednesday, and a second request that same Wednesday for additional data to be submitted Friday; the initial request was predominantly for information the auditor had request six to eight weeks prior but had not downloaded to the portal. Another member described a data request that was sent to a retired employee despite the company’s update of information at USAC. That request included a short turnaround that included days the office was closed for Thanksgiving. “There were several instances where we would not hear anything for weeks and then get a data request with a 1-2 business day turnaround time.”

And yet at the same time, NTCA members and consultants report that it is not uncommon for auditors to take prolonged periods to respond with follow-up correspondence, sometimes requesting additional (and, at times, repetitive) information on similarly short timelines. “There were several instances where we would not hear anything for weeks and then get a data request

with a 1-2 day business day turnaround time. . . . In one instance, we answered an inquiry only to be asked for the same thing again later.” NTCA recognizes the broad scope of data subject to audit, yet proposes that timeliness and responsiveness are fixable issues. Accordingly, NTCA recommends three process adjustments that would accelerate audits and promote timely conclusions. These steps would reduce costs for all parties and facilitate earlier implementation of corrective measures where warranted by audit findings.

First, NTCA recommends that USAC implement internal checks to verify its own calculations before initiating an auditable event. This internal safeguard would help ensure that an audit is not triggered by a USAC calculation error that would, upon investigation, be found to originate within USAC's own processes rather than the program participant's. Preventing unnecessary audits of this kind would reduce costs and burden for participants while preserving audit resources for genuine compliance risks, a straightforward application of the carpenter's creed to “measure twice and cut once.”

Second, NTCA recommends standard timelines and “shot clocks” for audits. At the outset of an audit, participants should have no fewer than 14 days to respond to initial requests. Follow-up data requests should require responses in no fewer than five business days, a baseline intended to effectively eliminate weekend-only response windows. NTCA recognizes that particular audit types or the volume of requested data may warrant timeline adjustments but submits that a default schedule for the predominant number of audits would introduce greater predictability and efficiency.

Third, NTCA recommends a standard deadline for overall audit completion. The shot clock should govern not only *intra-audit communications* but *the total duration* from initiation to close. Consultants advising audited entities share that clients undergoing PQA audits may receive

a data request with a ten-day response window, followed by six months of silence - after which auditors request more data with compressed deadlines for response. Similar concerns have been voiced about repetitive and excessive audit requests. These delays are compounded when auditors are replaced mid-audit. This often results in new auditors requesting information that was provided previously to the prior auditors. These repetitive and highly inefficient actions generate additional and unnecessary expenses while delaying audit resolution.

Additionally, audited companies are often subject to excessive data requests which can cause significant delays. Where appropriate, similar or recurring expense items could be grouped or consolidated for explanation purposes to expedite USAC review. During the course of recent audits, companies have observed that requests for supporting explanations often include several hundred individual expense line items. Many of these items are recurring monthly charges of a similar nature, which require substantially identical explanations. Responding to each item individually in these cases creates significant administrative burden without materially improving the clarity or completeness of the review. This approach could enhance efficiency for both auditors and program participants while maintaining the integrity and objectives of the audit process.

Overall, NTCA suggests the elimination of processes that impose open-ended costs and uncertainty on program participants; shot clocks and reasonably defined responses times would be a first step toward a more ordered and efficient process. Additionally, defining the end-to-end audit timeline would compel concentration of audit resources on the highest-priority inquiries and limit the possibility of unlimited, sequential data requests. These concerns are particularly acute when audits coincide with fiscal year-end activity.

C. AUDITS SHOULD BE AIMED AT MATERIAL RATHER IMMATERIAL DISCREPANCIES

NTCA respectfully recommends that the Commission direct USAC to provide auditors with explicit guidance establishing scoping and materiality thresholds (both quantitative benchmarks and relevant qualitative factors) to distinguish discrepancies that warrant scrutiny from those that do not. Immaterial discrepancies should be excluded from the audit process as a matter of standard practice. Such guidance would sharpen audit effectiveness, reduce compliance burdens, and ensure that oversight resources are deployed where they can make a meaningful difference in programmatic integrity.

Audit resources, particularly for small providers, are finite. NTCA recommends that established principles of materiality be applied to the audit process to focus scrutiny where it is consequential. Commission rules do not provide a quantitative definition of materiality, defaulting instead to the “general materiality guidelines promulgated by the Auditing Standards Board,”⁸ which contemplate materiality as a contextual determination focused on discrepancies that would “influence the judgment of a reasonable investor.”⁹ Translated to the USAC audit context, the relevant inquiry is whether a given discrepancy is significant enough to bear on a finding of material non-compliance, material misuse of Federal funds, or material fraud or misrepresentation. Or, in layman’s terms: Is the dollar amount large enough to matter?

Analogous standards in other contexts reflect similar principles. The International Accounting Standards Board frames materiality as information that could reasonably influence decisions by primary users of financial statements.¹⁰ The Financial Accounting Standards Board

⁸ 47 C.F.R. § 32.26.

⁹ AS 2105.07.

¹⁰ IASB, *Definition of Material (Amendments to IAS 1 and IAS 8)* (Oct. 2018).

defines the threshold as that point at which a reasonable person relying on the report would have their judgment changed or influenced.¹¹ The Public Company Accounting Oversight Board similarly focuses on misstatements likely to influence the judgment of a reasonable investor.¹²

NTCA suggests a threshold scope of audit assessment that would include an analytical audit to assess the presence of material issues. If the analytical audit bears no finding of material issues, then the audit should be concluded. If the analytical audit discloses the likelihood of material issues, then a substantive audit would proceed. This approach would allow the audits to follow the above-cited standards, which are intentionally flexible and context dependent.

NTCA does not suggest that technical regulatory deviations are *per se* acceptable. Rather, a finding of *regulatory* non-compliance should be grounded in a finding of *material* financial non-compliance, rather than triggered automatically by *any* deviation regardless of dollar amount. NTCA members report Lifeline audits in which the cost of the audit exceeded the comparatively smaller total sum of Lifeline funds received, let alone any alleged discrepancy. In another instance, an NTCA member firm reported incurring approximately \$500 in billable audit hours to resolve a \$30 misallocation, a cost-to-discrepancy ratio of 16:1 that serves no legitimate oversight purpose and diverts resources from genuine compliance risk. The audit process should distinguish between discrepancies that are consequential and those that are not. In practice, however, auditors frequently latch onto and investigate issues that are plainly immaterial. Finer distinguishing of material vs. immaterial discrepancies will not only relieve costs and

¹¹ FASB, Concepts Statement No. 8, *Qualitative Characteristics of Useful Financial Information* (Aug. 2018).

¹² PCAOB, Auditing Standard No. 11, *Consideration of Materiality in Planning and Performing an Audit* (Aug. 2010).

administrative burdens on companies but will also avoid substantively unnecessary expenses for USAC whose administrative costs are borne by collected public funds.

D. THE OVERALL AUDIT PROCESS SHOULD STRIVE FOR CONSISTENT INTERPRETATION AND APPLICATION OF COMMISSION RULES

Inconsistent audit outcomes for substantively identical issues impose costs on participants and undermine confidence in the audit process. Consultants serving numerous affected companies have described a phenomenon of “audit roulette” - different outcomes for the same issue depending solely on which third-party professional USAC may have contracted to conduct the audit; NTCA members have identified this phenomenon as also occurring among internal USAC auditors. This observation is not directed at the competence or professionalism of individual auditors, but at the systemic ambiguity that results when similarly situated participants receive disparate treatment.

Accordingly, NTCA recommends that the Commission supplement USAC processes by establishing a clearinghouse for audit-related guidance, modeled on advisory opinion mechanisms used by other Federal agencies. The Department of Justice issues advisory opinions;¹³ the Internal Revenue Service issues Private Letter Rulings, binding determinations applying the tax code to prospective transactions that, in redacted form, provide non-binding guidance to other taxpayers.¹⁴ The Federal Trade Commission also issues advisory opinions for substantial or novel questions of fact or law or the subject matter of the request and the FTC’s guidance is of significant public interest.¹⁵

¹³ *See*, 28 C.F.R. §5.2(b).

¹⁴ 26 U.S.C. § 6110.

¹⁵ *See* 16 C.F.R. §§ 1.1-1.4.

NTCA recommends an analogous, even if not identical, process: auditors would be required to document novel or unusual findings and the basis on which those findings were resolved. This documentation, redacted of company-identifying information but with sufficient detail to be instructive, would be publicly available on the Commission's website. These advisory letters would benefit both program participants (who could rely on them in structuring their practices) and auditors (who could use them as reference when encountering similar issues). USF recipients relying on published advisory opinions in good faith would enjoy a rebuttable presumption of lawful conduct. The Commission could further require auditors retained on behalf of USAC to participate in continuing education incorporating these opinions. Taken together, these measures would reduce disparity in outcomes and improve transparency in the audit process.

E. SECURE COMMUNICATIONS REPOSITORIES WITH AUTOMATIC NOTIFICATION FUNCTIONS CAN IMPROVE EFFICIENCY AND RESPONSIVENESS

NTCA recommends improvements to USAC's communication practices throughout the audit process. Specific recommendations include: an initial call at the outset of each audit to discuss any unique characteristics of the audited entity before substantive review begins; regular status calls (weekly or bi-weekly) during the audit; dedicated electronic repositories for audit-related communications; automatic notifications to all parties when documents are accessed or modified; and defined deadlines for responses by both auditors and audited entities. Every audit should include, at minimum: clear identification of the year(s) for which data is sought; a secure electronic filing system accessible to both auditor and audited entity; and automated notifications to all parties when documents are added or modified.

On a broader basis, NTCA members appreciate the USAC System Availability webpage,¹⁶ which provides the status of the portal. But users do not receive notifications of outages or of when interruptions have been resolved. Refinements of this process would serve efficiency by eliminating the need for users to return randomly to the page to check the status of different service platforms. NTCA also notes the value of targeted help desks to assist users at the outset. Users often found help desk staff willing but not fully capable of assisting with discrete issues. For example, NTCA members noted instances involving SPIN and SAC transfers, or specific programs, which required escalation to resolve. NTCA suggests that the Commission direct USAC to determine where additional points of contact with systems expertise could be made available to improve user experience and results.

F. ASSESSMENT OF MILESTONE ACHIEVEMENT

In addition to the generally applicable concerns noted above, NTCA members also identified difficulty assessing how progress toward ACAM II Tribal milestones can be assessed. In these instances, members acknowledged that USAC recognizes the correct Tribal buildout milestones that pertain to the ACAM commitment, but progress toward those milestones is not reported. This makes it difficult for the companies to identify progress toward those milestones. Specifically, while on its face the online portal appears to provide an option to review a distinction between Tribal and non-Tribal locations in the total deployment count, in actuality what is displayed for Tribal locations is simply the total locations reported by a company, not solely the Tribal locations. This disables a company's ability to prove affirmatively that it has met all of its Tribal milestones. NTCA recommends the Commission to direct USAC to create a data entry portal that accurately bifurcates the various milestones when reporting outcomes.

¹⁶ <https://www.usac.org/usac-system-availability/status/> (last visited May 13, 2026).

III. CONCLUSION

NTCA and its members remain supportive of the Commission's effort to refine USAC processes. The recommendations set forth above recognize the Commission's oversight of USAC and accordingly offer recommendations that are grounded in the direct experience of small rural providers and those who assist them in navigating USAC audit and administrative processes on a regular basis. Commission-directed reforms to audit scheduling, timelines, materiality standards, interpretive consistency, communications, and milestone reporting will preserve the integrity of the USF while recognizing the finite resources of the providers whose customers these programs exist to serve. NTCA appreciates the Commission's attention to these concerns and stands ready to assist in developing and implementing the improvements described above.

Respectfully submitted,

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