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☛ Details: Audit Report 06-5: Universal Service Fund, Public Service Commission

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

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* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)



WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

April 26, 2006

Ms. Anita Sprenger, Manager
Universal Service Fund
Public Service Commission
610 North Whitney Way
P.O. Box 7854
Madison, Wisconsin 53707-7854

Dear Ms. Sprenger:

Thank you for your letter, dated March 30, 2006, in which you report on expenditure trends and cost projections for the Universal Service Fund for fiscal year (FY) 2005-06. This report was submitted in response to a recommendation included in the Legislative Audit Bureau's report 05-14. We are pleased to see that the Public Service Commission does not expect to have payment requests that will exceed its spending authority FY 2005-06.

As you know, the Legislative Audit Bureau is currently completing a financial audit of the Universal Service Fund's FY 2004-05 financial statements. We will await the results of this audit to determine whether continued reporting on the Fund's expenditure trends will be needed in the future.

Thank you again for your responsiveness to the Legislative Audit Bureau's recommendation. When it is released, we ask that you forward copies of the Commission's report on Investments in Advanced Telecommunications Infrastructure in Wisconsin.

Thank you for your letter. Please contact us with any questions or concerns.

Sincerely,

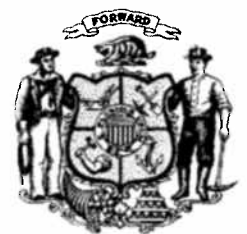
Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

cc: Janice Mueller
State Auditor



WISCONSIN STATE LEGISLATURE





STATE OF WISCONSIN


Legislative Audit Bureau

22 E. Mifflin St., Ste. 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

Janice Mueller
State Auditor

DATE: May 16, 2006

TO: Karen Asbjornson and Pamela Matthews
Committee Clerks to the Joint Legislative Audit Committee

FROM: 
Dawn Alsen
Financial Audit Director

SUBJECT: Report 06-5: Financial Audit of the Universal Service Fund

We have completed a financial audit of the Universal Service Fund for fiscal year (FY) 2004-05, as required by the Public Service Commission (PSC) to fulfill its audit requirements under s.196.281(2)(d), Wis. Stats. The Universal Service Fund, which is funded by assessments paid by telecommunications providers, supports telecommunications services and access that are provided by several state agencies, including the PSC and the Departments of Administration (DOA) and Public Instruction (DPI). We expressed an unqualified opinion in the Universal Service Fund's financial statements.

We also provide additional discussion of the programs operated by PSC, DOA, and DPI. The largest program supported by the Universal Service fund is DOA's Educational Telecommunications Access Program, which had expenditures totaling \$16.8 million during FY 2004-05. The most notable issue pertaining to the Educational Telecommunications Access Program is the new statewide network, BadgerNet Converged Network, which is currently being implemented.

Eight of the 13 programs supported by the Universal Service Fund are operated by the PSC. As we reported in past audits, expenditures for the PSC-operated programs historically had been significantly less than amounts budgeted. However, increasing demand and expenditures are now presenting budgetary challenges for these programs. In response, the PSC reduced benefits and deferred certain payment decisions in the last two fiscal years. As reported in its March 30, 2006, letter to the Co-Chairs, the PSC believes it can limit its expenditures to its spending authority for FY 2005-06. If the growth in program demand and expenditures continues, the Legislature may be asked to reconsider statutory limits placed on PSC's annual assessment levels or to eliminate some programs.

The Universal Service Fund began funding a portion of the state aids to public library systems in FY 2003-04. Previously, general purpose revenue funded all of the state aids to the public library systems. 2005 Wisconsin Act 25, the Biennial Budget Act, doubles the amount of funding from the

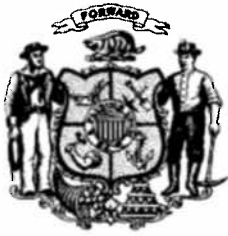
Universal Service Fund for the public library systems to \$8.4 million during the 2005-07 biennium. DPI is responsible for distributing the state aids to the library systems.

In our previous audit (report 05-14), we reported that a balance had accumulated for the Newslite program, which provides sight-impaired individuals access to newspapers read over the telephone. In this audit (report 06-5), we note that the PSC and DPI have adequately addressed this concern. The two agencies signed a Memorandum of Understanding to establish a budgeting process for future funding of the program.

The report will be released on Wednesday, May 17, at 9:00 a.m. Please let us know if you have any questions regarding this report.

DA/km

Enclosures

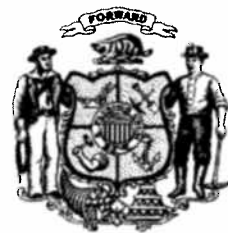


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An Audit

Universal Service Fund

Public Service Commission

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State Auditor - Janice Mueller

Audit Prepared by

Diann Allsen, Director and Contact Person
Dana Klauk
Jeff Beckett
John Brewah

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STATE OF WISCONSIN

Legislative Audit Bureau

22 E. Mifflin St., Ste. 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267 0410
Leg.Audit.Info@legis.state.wi.us

Janice Mueller
State Auditor

May 17, 2006

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

As requested by the Public Service Commission (PSC), we have completed a financial audit of the Universal Service Fund, which was established to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. It is funded primarily through assessments on telecommunications providers, which totaled \$28.3 million in fiscal year (FY) 2004-05. Our audit report contains our unqualified opinion on the Universal Service Fund's financial statements for the fiscal years ending June 30, 2004 and 2005.

The largest program supported by the Universal Service Fund is the Educational Telecommunications Access Program, which is administered by the Department of Administration. This program subsidizes data lines and video links to eligible educational institutions. In FY 2004-05, expenditures for these activities totaled \$16.8 million, or 60.3 percent of the Universal Service Fund's total expenditures and transfers. In January 2006, the conversion to a new statewide data and video network began for program participants, as well as for the State and other public-sector users. The conversion to the new network is expected to be completed in August 2006.

Eight of the 13 programs supported by the Universal Service Fund are operated by the PSC. The Legislature limited the amount the PSC could assess telecommunications providers for the PSC-operated programs to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05 and thereafter. However, increasing expenditures are now presenting budgetary challenges for these programs. In response, the PSC reduced benefits and deferred decisions about certain payment requests to subsequent fiscal years. Based on expenditure projections, the PSC believes it can limit expenditures to its spending authority during FY 2005-06. However, if the growth in program demand and expenditures continues, the Legislature may be asked to reconsider the statutory limits on the PSC's annual assessment levels or to eliminate some programs.

We appreciate the courtesy and cooperation extended to us by staff at the PSC; the departments of Administration and Public Instruction; and the Universal Service Fund's administrator, Wipfli LLP.

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ss



Cullen
Weston
Pines
& Bach

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Attorneys at Law

122 West Washington Avenue
Suite 900
Madison, Wisconsin 53703
(608) 251-0101
(608) 251-2883 Fax
www.cwpb.com

Lee Cullen
Lester A. Pines
Steven A. Bach
Alison TenBruggencate
Carol Grob
Linda L. Harfst
Curt F. Pawlisch
Jordan Loeb
Tamara B. Packard

Elise Clancy Ruoho
Nicholas E. Fairweather
Rebecca A. Schmidt
Kira E. Loehr

Of Counsel:
Cheryl Rosen Weston

October 18, 2006

Senator Carol A. Roessler
Room 8 South, State Capitol
PO Box 7882
Madison, WI 53707-7882

Representative Suzanne Jeskewitz
Room 314 North, State Capitol
PO Box 8952
Madison, WI 53708

Dear Senator Roessler and Representative Jeskewitz:

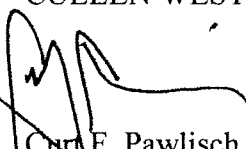
On behalf of Wisconsin CALLS, I write to express my appreciation for you meeting with us last week to discuss the important issue of legislative oversight of the state's Universal Service Fund programs. As we indicated during our meeting, CALLS members—both providers and consumers—believe that it is important to periodically evaluate the effectiveness of these programs. We suggested that a program audit of one USF program per year, in conjunction with the statutorily required financial audit of the USF, would be an efficient way to conduct this ongoing review.

We also appreciate your interest in the issue of the exemption of wireless carriers from USF assessments. Your support for ending this exemption can play an important role in convincing the PSC to reverse its position on this matter. I have enclosed additional background materials for your review to facilitate your involvement in this issue.

Thank you again.

Sincerely,

CULLEN WESTON PINES & BACH LLP



Curt F. Pawlisch
CFP/rss

cc: Wisconsin CALLS members (without enclosures)