

Universal Service Administrative Company (USAC) must submit its draft audit report to the Wireline Competition Bureau (formerly known as the Common Carrier Bureau). At USAC's request, we extend the filing deadline from 60 days to 105 days after the end of the audit period.

2. Under § 54.717 of the Commission's rules, USAC is required to designate an independent auditor to examine its operations and books of account to determine, among other things, whether USAC is properly administering the universal service support mechanisms to prevent fraud, waste, and abuse. The independent auditor is required to submit a draft audit report to the Wireline Competition Bureau audit staff within 60 days after the end of the audit period. Because USAC's fiscal year is the calendar year, the draft audit report is due by March 1.

3. USAC seeks a permanent waiver of this requirement or, in the alternative, a rule change that would allow the independent auditor to file the draft audit report on or before April 15 instead of March 1. USAC explains that because it closes its books in early February and its parent, the National Exchange Carrier Association (NECA), does not close its books until mid-February, the 60-day deadline leaves the independent auditor only two weeks to complete its draft audit report. Specifically, USAC asserts that meeting the March 1 deadline is extremely difficult because it provides the independent auditor with just two weeks to complete six financial audits

and five program reviews. As a result of this short timeframe, it has been difficult for the independent auditor to meet the deadline during the last five years.

4. We amend § 54.717(f) of the Commission's rules to require submission of the independent auditor's draft audit report within 105 days after the end of the audit period. We are persuaded that the time frame specified in the existing rule does not provide adequate time for the independent auditor to complete its draft audit report. Since this rule's inception, the independent auditor has had difficulty meeting the deadline every year. In fact, USAC has received extensions on behalf of the independent auditor for the 1998, 2000, 2001, and 2002 annual audits. A permanent change of this deadline therefore is warranted. We are persuaded that no harm will result by providing the independent auditor an additional 45 days to submit the draft audit report. We find that the change in the audit deadline still gives sufficient time for the Wireline Competition Bureau audit staff and the independent auditor to review the draft audit report and comply with the other provisions of § 54.717 of the Commission's rules.

5. It is ordered that, pursuant to sections 1, 4, and 254 of the Communications Act of 1934, as amended, the rule set forth herein is adopted to allow submission of the draft audit report within 105 calendar days after the end of the audit period.

6. It is further ordered that section 54.717(f) of the Commission's rules is

amended as set forth, effective May 19, 2003.

List of Subjects 47 CFR Part 54

Reporting and recordkeeping requirements, Telecommunications, Telephone.

Federal Communications Commission:
William F. Caton,
Deputy Secretary.

Final Rule

■ For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR part 54 as follows:

PART 54—UNIVERSAL SERVICE

Subpart H—Administration

■ 1. The authority citations continue to read as follows:

Authority: 47 U.S.C. 1, 4(i), 201, 205, 214, and 254 unless otherwise noted.

■ 2. Amend § 54.717 by revising paragraph (f) to read as follows:

§ 54.717 Audits of the Administrator.

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(f) Within 105 calendar days after the end of the audit period, but prior to discussing the audit findings with the Administrator, the independent auditor shall be instructed by the Administrator to submit a draft of the audit report to the Wireline Competition Bureau Audit Staff.

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[FR Doc. 03-9406 Filed 4-16-03; 8:45 am]

BILLING CODE 6712-01-P