

**AUDITOR GENERAL'S DEPARTMENT**  
**ACTIVITY BASED AUDIT REPORT**  
**UNIVERSAL SERVICE FUND (USF)**  
**COLLECTIONS OF UNIVERSAL SERVICE LEVY AND PROJECTS**

## Executive Summary

The Universal Service Fund (USF) was established under the Telecommunications (Amendment) Act 2012, and became effective on June 1, 2012, as a successor to the Universal Access Fund Company Limited (UAFCL). Section 38(d) of the Amended Act 2012 states "There shall be a universal service levy that shall be imposed, by the Minister, on licences, in support of the universal service." Additionally, a Ministerial Order, which was issued in 2005<sup>1</sup> in accordance with the Telecommunications Act (2000) is still in effect, and mandated that effective June 1, 2005, all domestic network operators were obliged to collect a universal service levy on all inbound international voice telephony calls terminated to fixed lines (US\$0.03 per minute) and mobile lines (US\$0.02 per minute)<sup>2</sup>.

The Mission of the USF is to facilitate the provision of universal access to the information superhighway by stimulating and accelerating the deployment of broadband services island-wide. This USF expects to achieve this through effective collection and astute management of the universal service levy and disbursing such funds in a transparent and non-discriminatory manner to fund appropriate projects.

In keeping with her mandate, the Auditor General conducted an activity-based for the period April 2012 to October 31, 2015. The aim of the audit was to determine whether the USF has adequate systems in place to effectively collect and account for the service levy due to it. We also sought to determine whether USF implemented adequate systems to effectively monitor and evaluate projects to ensure that the objectives were being accomplished in an economical manner.

## Key Findings

The key findings are outlined in the following paragraphs.

### Collections of Universal Service Levies

- 1. Terminating Carriers did not faithfully submit the traffic reports to USF on a timely basis.** The report should provide, among other things, details of the duration and the applicable rates of all inbound international voice telephony calls terminated to fixed lines and mobile lines. We noted that some terminating carriers did not faithfully submit the required Traffic Report on a timely basis. Of the 43 expected reports to be received from carriers for the period April 2012 to October 2015, only one carrier (Terminating Carrier 1) submitted all the required reports, while the other two (Terminating Carrier 2 and 3) submitted 26 and 37 reports, respectively.

<sup>1</sup> There was also an updated Ministerial Order issued in 2011.

<sup>2</sup> Universal Service Order, 2011

Notwithstanding, we saw no evidence that USF took any action to ensure that the carriers complied with the established timeline for submission of the reports.

- 2. The USF does not have formal policies and procedures in place to manage delinquencies.** USF records showed that amounts owed to the Fund from universal service levy have increased from \$81.7 million as at April 2012 to \$117.8 million as at March 2015. This represents a 44 per cent increase over the period (Figure 3). Nonetheless, during the same period, universal service levy collection increased by 48 per cent; with actual collections including both bad debt recoveries and amounts owed from previous years. We observed that the delinquency levels (that is, amounts owing to USF in excess of 120 days past the due date) have been increasing steadily over the period moving from \$24.8 million in April 2012 to \$68.8 million as at March 2015; an increase of 178.1 per cent. This delinquency level of \$68.8 million as at March 2015 represents 58.4 per cent of the total owed to USF for universal service levy (Figure 3). We found no evidence that the USF issued demand notices to the delinquent carriers to settle the amounts. Whilst USF informed us that up to September 2015, they have collected \$52.5 million of the delinquent amounts reported at March 2015, they have not implemented formal policies and procedures to govern the process.

## Project Management

- 3. USF did not implement a system to ensure that project beneficiaries faithfully submit the requisite reports as a condition for disbursement.** The USF's policy stipulates that project beneficiaries should submit monthly progress reports at both the project implementation and post implementation phases. The project implementation reports, along with USF's own assessment, should form the basis for disbursements under the projects. We found that the USF did not faithfully enforce this requirement. Of the 88 project files reviewed, we identified only 5 cases in which disbursement was informed by a report. Project officers are also required to carry out site visits at the proposed centres and provide reports indicating whether or not the site infrastructures are suitable to support the execution of the projects, as conditionality for disbursement. It appears that USF did not faithfully undertake site visits, as we identified that project officers had not performed inspection of 24 of 88 centres.
- 4. The USF also provided funding for major projects under the E-Learning programme. For the financial years 2013-14 to 2014-15, USF disbursed \$881.1 million to E-Learning pilot projects, representing 47.7 per cent of the total project disbursements over the two years (Figure 1).** The USF however had no system in place to monitor the programme to determine whether targets are being met and value was received for money disbursed. There is no evidence that USF requested progress reports from the implementing agency – E-Learning Jamaica.

**Figure 1 E- Learning and Other Project Disbursements 2012-13 to 2014-15**

Year	TOTAL J\$	2014-15 J\$	2013-14 J\$	2012-13 J\$
Amt. Disbursed Other Projects	967,257,335	238,659,058	474,771,148	253,827,128
Amt. Disbursed E-Learning Projects	881,134,060	738,090,181	143,043,879	0
<b>Total J\$</b>	<b>1,848,391,395</b>	<b>976,749,239</b>	<b>617,815,027</b>	<b>253,827,128</b>
<b>E-Learning/ Total Disbursement</b>	<b>47.7%</b>	<b>75.6%</b>	<b>23.2%</b>	<b>0%</b>

Source: USF's Records

**Recommendations**

1. The USF should develop and implement strategies to improve the collection of the universal service levy from carriers. To this end, an appropriate internal control mechanism should be put in place to ensure that the Fund receives the requisite monthly reports in a timely manner. Furthermore, robust communication must be initiated with telecommunication carriers to ensure that traffic information and levy payments are made as prescribed by the Telecommunications Act and the Ministerial Order.
2. The USF should ensure that a structured delinquency management system is put in place. This should form part of an entity-wide integrated risk management framework that would also incorporate the risk of revenue loss.
3. USF should develop and implement a comprehensive project management framework to guide its monitoring and evaluation activities. The Fund should also aggressively enforce the requirement for submission of progress and post disbursement reports by the project beneficiaries to assist with the evaluation as to whether the objectives are being attained.