Part 32: The FCC's Uniform System of Accounts for Telecommunications Carriers

Recording investments, expenses, and revenues in accordance with the Part 32 Uniform System of Accounts (USOA) has traditionally been the first of a multi-step process used by ILECs to identify the costs of providing telecommunications services and to set rates. The Commission added Part 32 in March 1986.[1]

General instructions are provided in Subpart B. Subparts C, D, E, and F include instructions, respectively, for: balance sheet accounts; revenue accounts; expense accounts; and other income accounts.

- Once these items are recorded, ILECs then divide costs and revenue between regulated and non-regulated telecommunications services, in accordance with Part 64 of the Commission's rules.
- ILECs then allocate their regulated expenses and investments between the interstate and intrastate jurisdictions, as required under the Part 36 jurisdictional separations procedures.
- ILECs have traditionally utilized Part 69 rules to allocate their interstate costs among access rate elements, and then set access rates for recovering those costs.

In response to the 1996 Telecommunications Act, the FCC made substantial changes to Part 32, including new affiliate transactions rules, which prescribed the way ILECs had to account for transactions with affiliates involving both regulated telecommunications services and nonregulated services.

The FCC occasionally issues Responsible Accounting Office (RAO) letters to provide guidance on the accounting rules to achieve a uniform interpretation and application of the Part 32 rules.

In 2006, 2007 and 2008, a number of companies filed petitions for forbearance from the cost assignment and Access Reports (ARMIS) reporting rules. In April 2008, the Commission granted AT&T and Bellsouth's petitions (filed first) on the condition they provide accounting data at the FCC's request. Other requests for similar forbearance relief were filed by Verizon, Qwest, and Frontier, which the FCC granted in September 2008, also requiring these parties to provide accounting data.

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[1] Prior to adoption of Part 32 rules, telephone companies were required to comply either with Part 31 rules (Uniform System of Accounts for Class A and Class B telephone companies) or Part 33 rules (Uniform System of Accounts for Class C telephone companies). Class A carriers were those telephone companies which had annual gross operating revenues of $100 million or more, while Class B carriers had annual gross operating revenues of less than $100 million.

In August 2014, the Commission initiated a rulemaking to determine whether Part 32 rules could be streamlined to reduce regulatory burdens while still allowing it to maintain access to the data it needs to fulfill its statutory and regulatory obligations. AT&T, Verizon, and other price cap carriers filed comments calling for the elimination of Part 32 rules for price cap carriers and transitioning from Part 32 to GAAP accounting.

On February 24, 2017, the FCC released a Report and Order amending Part 32, effective January 1, 2018, which included consolidation of Class A and Class B accounts and alignment of the USOA's asset accounting rules, its AFUDC rules, and its materiality rules with GAAP. It also revised the rules regarding continuing property records for price cap carriers. The Commission declined to amend the USOA's depreciation and cost of removal-and-salvage rules. These revisions, with the exception of the continuing property records rules, will apply to all carriers subject to Part 32's USOA, but not to any price cap carrier that elects to use GAAP accounting. The Order allows price cap carriers to elect to use GAAP for all regulatory accounting purposes so long as they comply with targeted accounting rules and subject to a commitment to mitigate any impact such an election would have on pole attachment rates.

The Commission referred to the Joint Board the issue of examining the Part 36 jurisdictional separations rules in light of these reforms.