

USAC High Cost Program

USF Best Practices

November 2010



Problems

- Duplicate lines
- Reported in the incorrect rate Zone
- Misclassified as to whether single and or multi lines
- Lines' billing addresses were outside the study area
- Included an inactive line on its line-count
- Unable to provide billing system data to support official lines

USF Best Practices:

Line Counts

Error Detection

- Customer billing line-count detail
- Subscriber listings

Best Practice Solution

- System must retain historical data of reported levels that can be retrieved or accurately recreated
- Maintain a document retention policy for customer billing and outside plant access line reports

USF Best Practices: Asset Valuation

Problems

- Lack of proper documentation
- Continuing Property Records (CPR) not posting adds (invoices) and retirements in a timely manner
- Lack of consistent periodic reviews
- Unable to provide invoices and proper supporting documentation to support COE for audit sampling
- Did not maintain documentation for write offs or expense capitalization

USF Best Practices: Asset Valuation

Error Detection

- Depreciated assets in excess of the salvage rates approved by the PSC
- Reconcile CPR balances to related General Ledger accounts

Best Practice Solution

- Implement a document retention policy to retain work order record or approved worksheets for any retirements or adjustments
- Set up a tracking system to assure updates to the CPR
- Conduct periodic reviews of CPR

USF Best Practices: Intra-Company Allocation

Problems

- Allocations conducted in a manner that is non-compliant with regulations
- Lack of sufficient documentation as to the logic behind allocations
- Affiliates allocation factors were not supported
- No quantitative support for the rate used for services provided for their affiliate

USF Best Practices: Intra-Company Allocation

Error Detection

- Test pricing and costs related to transactions between Parent and its affiliates in comparison to fees paid to non-related entities

Best Practice Solution

- Recorded transactions with affiliates in accordance with FCC Rules (47 C.F.R. 32, 36)
- Utilize YTD financial data for affiliates
- Establish a system of controls

USF Best Practices: System Security

Problems

- No policies and procedures for validation of user access to computer systems
- No proper procedures or tracking system for assets and the related documentation

USF Best Practices:

System Security

Error Detection

- Personnel records do not contain authorizing signature of supervisor indicating reviews performed
- Process did not determine the risk of user access being inappropriate over time due to such factors as reassignments, promotions, termination
- No serial numbers on all equipment in its accounting records that could be used to locate and identify the related item to its physical location

USF Best Practices: System Security

Best Practice Solution

- Periodic recertification of each employee's user access to ensure access remains appropriate to the users' job function
- Supervisory review signature were denoted on the review performed on users' job functions
- Establish tracking and reporting guidelines and requirements integrated with CPR tracking of adds/retirements, with periodic review of performance

De-Regulated/Regulated Allocation

Problems

- Regulated recovery of a de-regulated asset
- Improper costs are recovered due to reporting errors to USAC
- Inconsistencies and non-compliance issues

De-Regulated/Regulated Allocation

Error Detection

- Review accounting of payroll costs for de-regulated activity
- Review sample of product codes for compliant regulated/de-regulated treatment

Best Practices Solution

- Establish compliant mapping of each regulated/de-regulated activity code to the valid general ledger account number
- Develop improved system for tracking assets and transactions
- Improve document retention and review processes periodically for regulatory compliance

USF Best Practices: Adequate Advertisement

Problems

- Not advertizing services and charges utilizing media of general distribution
- **Particular** – Did not advertise access to:
 - Emergency and operator services
 - Local and lifeline services

USF Best Practices: Adequate Advertisement

Error Detection

- Take rates on “Supported Services” at below average level
- Review of processes is unable to detect documentation of advertising of Supported Services

Best Practices Solution

- Formalize process to comply with 47 C.F.R. § 54.101’s notification requirements
- Periodic review of the annual notification in media of general distribution
- Documentation of annual notification retained

USF Best Practices: ETC Certification by Area

Problems

- Lines and revenue identified for improper study area/exchange locations
- Improper mapping

USF Best Practices: ETC Certification by Area

Error Detection

- Sample testing of the mapping of customer on borders of study area/exchange boundaries

Best Practices Solution

- Employ industry standard geo-code mapping programs to customer billing addresses for valid locating of lines
- Periodic review of customer service locations reconciled to internal network
 - **Note:** this type of geo-coding is already required for all broadband lines as per FCC Docket 07-38

USF Best Practices: Usage and Revenue Reporting

Problems

- Improper amounts are being reported to USAC and NECA which distort proper USF distribution
- No internal process for reviewing documentation supporting compliance filings

USF Best Practices: Usage and Revenue Reporting

Error Detection

- Reconcile financial and operations budgets
- Trending compliance reported amounts between periods

Best Practices Solution

- Reported network usage with Carrier Access Billing System (CABS) intercompany report
- Reported revenues from retail and wholesale customer billing
- Part 32 Account Balances in corporate financial statements supporting documentation
- Access line and plant information listed in CPR

USF Best Practices Questions?

Please feel free to contact me regarding any questions or concerns you may have.

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Thank you!