2016 Service Provider Training

All About Audits

June 20, 2016 | Los Angeles, CA

June 30, 2016 | Atlanta, GA

List of topics

- Payment Quality Assurance (PQA) Program

- Beneficiary and Contributor Audit Program (BCAP)

- Document Retention

- Helping Applicants with Audits

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Payment Quality Assurance (PQA)

Why Does USAC Conduct PQA Assessments?

- PQA assessments support the Improper Payments Improvement Act of 2002 (IPIA) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) requirements.

- PQA assessments are conducted to calculate improper payments. USAC assesses specific payments made to applicants and determines if the payments were made in accordance with Federal Communications Commission (FCC) rules.

- Improper payment rate is reported to the FCC annually.

Payment Quality Assurance (PQA)

Who Is Selected for PQA Program?

- Beneficiaries are randomly selected from disbursements made in calendar year 2015.

What should you expect?

- Applicants are emailed questions after payments are selected. Responses are reviewed by PQA assessors.

  - Applicants have 10 business days from the date of the first notification letter to gather and submit the materials requested for carrying out the payment assessment.

- Some applicants are selected for a site visit. USAC's Internal Auditors will verify equipment installation and use.

What should you expect? (cont'd.)

- Service providers are emailed and asked to certify compliance with lowest corresponding price (LCP). Service providers have 10 business days to respond.

- – **47 CFR § 54.511(b)** *Lowest corresponding price.* Providers of eligible services shall not charge schools, school districts, libraries, library consortia, or consortia including any of these entities a price above the lowest corresponding price for supported services, unless the Commission, with respect to interstate services or the state commission with respect to intrastate services, finds that the lowest corresponding price is not compensatory.

Payment Quality Assurance (PQA)

PQA Certification

Payment Quality Assurance Program

SPIN: 123456789; SERVICE PROVIDER: ABC of Texas Inc.

Case ID	Applicant Name	BEN	FY	FRN	Disbursement	Invoice #	Date	Yes No
01-Case-027	CDE INDEP SCHOOL DISTRICT	123456	2012	9876543	$1,000.13	1223344	1/10/2013	☐ ☐

Make sure to check the appropriate box.

Complete the entire form

I am a duly authorized officer of the company that supplied the goods and/or services and by signing below am certifying compliance with the aforementioned rules.

Service Provider: _____   SPIN: _____

Printed name of the person completing this form: _____

Signature: _____

Title: _____   Date: _____

Complete the entire form

Payment Quality Assurance (PQA)

Who should complete the certification?

- The certification is completed and signed by a company officer.

- Return the certification within the 10-business-day response period.

- You do not have to submit supporting documentation (e.g., price list, customer bills, etc.) with the certification.

What happens if the certification is incomplete or not returned?

- This could result in a PQA exception. USAC may recover the disbursement.

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Beneficiary and Contributor

Audit Program

Why are service providers audited?

- The primary purpose of audits is to ensure compliance with FCC rules and program requirements.

- "Schools, libraries, and service providers shall be subject to audits and other investigations to evaluate their compliance with the statutory and regulatory requirements for the schools and libraries universal service support mechanism, including those requirements pertaining to what services and products are purchased, what services and products are delivered, and how services and products are being used." (§ 47 CFR 54.516)

- BCAP audits are based upon agreed-upon procedures approved by the FCC.

What should you expect?

- An announcement letter is sent requesting the documents to be reviewed to ensure compliance.

- A site visit may be performed.

- Performed by USAC's Internal Audit Division and outside audit firms.

- Applicants will receive a questionnaire about the service provider's process (e.g., were services delivered timely).

- FY 2015 disbursements will be reviewed.

- Most audits are limited in scope.

- An audit report will be prepared. You will have an opportunity to provide a response to the report before it is finalized and approved by USAC's Board of Directors.

Auditors will request documents to support:

- Competitive bidding compliance, contracts

- Service providers conducted maintenance (if applicable)

- Services and/or products were delivered and installed

- Service providers invoiced for only eligible services and products

- Only eligible entities received services

- Auditors may select samples of documents provided

Auditors will request documents to support cont'd:

- The lowest corresponding price (LCP) was offered.
- **Make sure you provide**:
  - Copies of all price lists, including tariffed prices as applicable, for services offered in the geographic area as the beneficiaries included in the audit sample.

  - A list of nonresidential customers (e.g., other schools, school districts, libraries, consortia, non–E-rate customers) receiving the same or similar services who are similarly situated to an E-rate applicant.

  - For additional audit guidance, visit USAC's website at http://usac.org/sl/about/program-integrity/default.aspx

Common Audit Findings

- Service providers commit invoicing errors, such as:

  - **Overbilling applicants.** Don't invoice to the funding commitment cap. Do invoice for the products or services delivered only.

  - **Services not approved.** Don't invoice for the services not approved in the Funding Commitment Decision Letter (FCDL). Do review the FCDL before delivering services.

  - **Invoiced for recurring services delivered beyond service deadline.** Don't invoice for services beyond the delivery deadline. Do invoice for services delivered within the year.

Common Audit Findings

- **Products invoiced before they were delivered and/or installed**. *Don't* invoice for items prior to the delivery or installation of those items. *Do* invoice after items are delivered and/or installed.

- **Invoice submitted to USAC after the invoice deadline**. *Don't* miss the deadline for submitting invoices to USAC. *Do* request an invoice deadline extension if you need it.

- **Invoices for BMIC not supported by actual services performed.** *Don't* use generic blanket terms that do not differentiate between eligible and ineligible services delivered. *Do* maintain documentation that demonstrates the costs and descriptions of the eligible services actually delivered.

- **SPIs not supported by services billed to the beneficiary.** *Don't* invoice for services not reconciled to services delivered or installed. *Do* invoice after services are delivered, installed and invoiced and maintain a reconciliation of those services.

What happens if I fail to demonstrate program compliance?
- It will be noted in the audit report. USAC will determine, based on FCC guidance, whether recovery is warranted.

What if I disagree with the audit finding?
- You may provide a response to the audit. Your response shall be included in the final audit report.

Can I appeal the audit report?
- The audit report is not an appealable event. You can appeal a COMAD or RIDF decision that cites the violation identified in the audit.

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Document Retention

- Documentation must be retained for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Documents can be in electronic format or paper as stated in the E-rate Modernization Order (FCC 14-99).

- Applicants and service providers must retain ALL documentation that shows compliance with all FCC rules.

- Any document from a **prior year** that supports current year activities must be kept for a period of 10 years after the last day of service delivered.

  - E.g., contract from 2005, used to support FY2016 recurring service FRNs, must be kept until at least June 30, 2027.

Required documents to retain

This list is for illustrative purposes. Service providers and applicants must retain pursuant to recordkeeping requirement, as applicable.

- RFPs or similar documents

- All bid responses and correspondence

- Contracts, service agreements, addendums, etc.

- Purchase requisitions, POs, packing slips, customer bills

- Delivery and installation records

- Maintenance logs

- Payments (canceled checks, credit card receipts, ACH transactions)

- USAC-approved SPIN changes and/or service substitutions (request, supporting documentation, and approval)

- USAC-approved invoice deadline extension, service delivery and service substitution (request, supporting documentation, and approval)

- Documents used to prepare forms

- FCC forms and letters received from USAC (e.g., FCC Forms 498, 474)

- Service provider price listings

Helping Applicants with Audit Requests

– Explain SPI and BEAR charges listed on service provider bills.
– Reconcile bills to invoices submitted (you should know the billing account number associated with the FRN).
– Explain equipment use or functionality, or installation charges.
– Document service provider-submitted requests, like service substitutions or SPIN changes.

Questions?

Thank you!