High Cost and Low Income Committee Meeting

Audit Reports Briefing Book

Monday, January 30, 2023

Available For Public Use

Universal Service Administrative Company Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

Summary of High Cost Support Mechanism Beneficiary Audit Reports Released: October 2022.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Skyline Telephone Membership Corporation **Attachment A**	0	• Not applicable.	$8,714,274	$0	$0	N/A
City of Brookings **Attachment B**	0	• Not applicable.	$2,453,520	$0	$0	N/A
Total	**0**		**$11,167,794**	**$0**	**$0**	

Attachment A

HC2021LR019

Available For Public Use

Skyline Telephone Membership Corporation Audit Reference ID: HC2021LR019 (SAC No.: 230501)

Performance audit for the Universal Service High Cost Program - Disbursements made during the twelve-month period ended December 31, 2019

Prepared for: Universal Service Administrative Company

As of Date: 09/30/2022

KPMG LLP
1021 E Cary St #2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

September 30, 2022

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to Skyline Telephone Membership Corporation Study Area Code ("SAC") No. 230501 ("Skyline" or "Beneficiary") for disbursements, of $8,714,274 made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2019. Our work was performed during the period from November 10, 2021 to September 30, 2022, and our results are as of September 30, 2022.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the Federal Communications Commission's ("FCC") Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost Program (collectively, the " FCC Rules") relative to disbursements, of $8,714,274, made from the High Cost Program during the twelve-month period ended December 31, 2019. Compliance with the FCC Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the FCC Rules as outlined in the Scope and Procedures sections of this report.

As our report further describes, KPMG did not identify any findings as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

List of Acronyms

Acronym	Definition
ARC	Access Recovery Charge
BLS	Broadband Loop Support
C.F.R.	Code of Federal Regulations
CAF	Connect America Fund
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
ETC	Eligible Telecommunications Carrier
FCC	Federal Communications Commission
Form 509	CAF BLS Annual Common Line Actual Cost Data Collection Form
G/L	General Ledger
HCL	High Cost Loop
HCL Form	National Exchange Carrier Association Universal Service Fund Data Collection Form
ICLS	Interstate Common Line Support
NECA	National Exchange Carrier Association
SAC	Study Area Code
Skyline	Skyline Telephone Membership Corporation
SLC	Subscriber Line Charge
USAC	Universal Service Administrative Company
USF	Universal Service Fund

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC administers the USF through four support mechanisms: High Cost, Lifeline, Rural Health Care and Schools and Libraries. With these four support mechanisms, the FCC strives to ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The High Cost Support Mechanism ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas, regardless of location or economic strata. Thus, the High Cost program provides support for telecommunications companies (Beneficiaries) that offer services to consumers in less-populated areas. Several legacy High Cost program support mechanisms are noted below:

1. HCL: HCL support is available for rural companies operating in service areas where the cost to provide service exceeds 115% of the national average cost per line. HCL support includes the following sub-component:
    a. SVS: SVS support is available to rural carriers that acquire high cost exchanges and make substantial post-transaction investments to enhance network infrastructure.
2. CAF ICC: CAF ICC support is available to ILECs to recover revenue that is not covered by the ARC to the end user.
3. CAF BLS: CAF BLS provides support for voice and broadband service, including stand-alone broadband. CAF BLS provides support for rate-of-return carriers to the extent that SLC caps do not permit them to recover their common line revenue requirements. CAF BLS replaced ICLS effective July 1, 2016.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $8,714,274, made from the High Cost program during the twelve-month period ended December 31, 2019.

Beneficiary Overview

Skyline Telephone Membership Corporation (SAC No. 230501), the subject of this performance audit, is a company located in West Jefferson, NC that serves over 5,100 customers in West Jefferson, NC. Skyline provides telecommunications services to its members in West Jefferson, North Carolina, and surrounding areas along with Chesnee, South Carolina, and surrounding areas.

The Beneficiary is an average schedule carrier.

In the table below, we show the High Cost support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2019 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF BLS	$7,343,052
CAF ICC	$1,371,222
Total	$8,714,274

Source: USAC

In addition to the above, the Beneficiary also received $99,084 in ICLS funds which represent a true-up of prior year funding, and as such are excluded from 2019 audited disbursements.

The Beneficiary received high Cost support during the twelve-month period ended December 31, 2019, based on the following annual financial and operational data submitted by the Beneficiary to NECA and USAC:

- 2018 FCC Form 509, based on calendar year 2017 data, and
- 2018 CAF ICC Form, based on program year 2017 data

In the above referenced forms, as an average schedule company, the High Cost program beneficiaries provide line count data, the number of exchanges, and the totals of certain pre-designated G/L accounts including all revenue accounts.

OBJECTIVES

The audit objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $8,714,274, made from the High Cost program during the twelve-month period ended December 31, 2019.

SCOPE

The scope of this performance audit included, but was not limited to, review of High Cost program forms or other correspondence and supporting documentation provided by the Beneficiary, assessment of the Beneficiary's methodology used to prepare or support the High Cost program forms or other correspondence, and evaluation of disbursement amounts made by the Beneficiary or potentially due to the Beneficiary. The scope of our work was focused on the High Cost program forms or other correspondence filed by the Beneficiary that relate to disbursements made from the High Cost program during the twelve-month period ended December 31, 2019, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the High Cost program during the twelve-month period ended December 31, 2019.

KPMG identified the following areas of focus for this performance audit:[1]

1. High Cost Program Filings

[1] If exceptions (instances of material non compliance with the FCC Rules) were noted in areas other than the in-scope areas as a result of our testing procedures and the execution of our performance audit, we identified those findings in the 'Results' section of the report.

2. Subscriber Listings and Billing Records
3. Revenues
4. Revenue Requirement
5. Exchanges

PROCEDURES

1. High Cost Program Filings

For the relevant High Cost program Forms (FCC Form 509 and CAF ICC) completeness of reported accounts were assessed by reconciling NECA Filings to the General Ledger and billing support. Reconciling items resulting from our analysis were discussed and cleared with the Beneficiary.

2. Subscriber Listings and Billing Records

KPMG analyzed subscriber listings and billing records to assess that the number and type of lines reported in the High Cost program filings agreed to underlying support documentation that subscriber listings did not include duplicate lines, invalid data, or non-revenue producing or non-working loops, and that lines were properly classified as residential/single-line business or multi-line business.

3. Revenue

KPMG examined revenue G/L accounts, invoices, and other related documentation to verify the accuracy and existence of revenue account balances.

4. Revenue Requirement

KPMG validated accuracy of the Beneficiary's calculation of its revenue requirement by confirming data inputs and completing recalculation procedures.

5. Exchanges

KPMG obtained and examined general exchanges tariffs and other related documentation to determine whether the Beneficiary reported the accurate number of exchanges.

RESULTS

KPMG's performance audit procedures resulted in no findings.

CONCLUSION

As discussed in detail above, in our evaluation of the Beneficiary's compliance with the applicable requirements of the FCC Rules relevant to the disbursements made from the High Cost program during the twelve-month period ended December 31, 2019 identified no findings.

** This concludes the audit report.**

Attachment B

HC2021LR021

Available For Public Use

City of Brookings
Audit Reference ID: HC2021LR021
(SAC No.: 391650)

Performance audit for the Universal Service High Cost Program - Disbursements made during the twelve-month period ended December 31, 2019

Prepared for: Universal Service Administrative Company

As of Date: 09/30/2022

KPMG LLP
1021 E Cary St #2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

September 30, 2022

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to City of Brookings Study Area Code ("SAC") No. 391650 ("Brookings" or "Beneficiary") for disbursements, of $2,453,520 made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2019. Our work was performed during the period from September 10, 2021 to September 30, 2022, and our results are as of September 30, 2022.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the Federal Communications Commission's ("FCC") Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost Program (collectively, the " FCC Rules") relative to disbursements, of $2,453,520, made from the High Cost Program during the twelve-month period ended December 31, 2019. Compliance with the FCC Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the FCC Rules as outlined in the Scope and Procedures sections of this report.

As our report further describes, KPMG did not identify any findings as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

List of Acronyms

Acronym	Definition
ARC	Access Recovery Charge
BLS	Broadband Loop Support
Brookings	City of Brookings
C.F.R.	Code of Federal Regulations
CAF	Connect America Fund
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
ETC	Eligible Telecommunications Carrier
FCC	Federal Communications Commission
Form 509	CAF BLS Annual Common Line Actual Cost Data Collection Form
G/L	General Ledger
HCL Form	National Exchange Carrier Association Universal Service Fund Data Collection Form
ICLS	Interstate Common Line Support
NECA	National Exchange Carrier Association
SAC	Study Area Code
SLC	Subscriber Line Charge
TPIS	Telecommunications Plant In Service
USAC	Universal Service Administrative Company
USF	Universal Service Fund

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC administers the USF through four support mechanisms: High Cost, Lifeline, Rural Health Care and Schools and Libraries. With these four support mechanisms, the FCC strives to ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The High Cost Support Mechanism ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas, regardless of location or economic strata. Thus, the High Cost program provides support for telecommunications companies (Beneficiaries) that offer services to consumers in less-populated areas. Several legacy High Cost program support mechanisms are noted below:

1. HCL: HCL support is available for rural companies operating in service areas where the cost to provide service exceeds 115% of the national average cost per line. HCL support includes the following sub-component:
    a. SVS: SVS support is available to rural carriers that acquire high cost exchanges and make substantial post-transaction investments to enhance network infrastructure.
2. CAF ICC: CAF ICC support is available to ILECs to recover revenue that is not covered by the ARC to the end user.
3. CAF BLS: CAF BLS provides support for voice and broadband service, including stand-alone broadband. CAF BLS provides support for rate-of-return carriers to the extent that SLC caps do not permit them to recover their common line revenue requirements. CAF BLS replaced ICLS effective July 1, 2016.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $2,453,520, made from the High Cost program during the twelve-month period ended December 31, 2019.

Beneficiary Overview

City of Brookings (SAC No. 391650), the subject of this performance audit, is a municipality located in Brookings, SD that serves over 5,100 telecommunications customers in Brookings, SD and does business as Swiftel Communications. The City of Brookings provides telecommunications services, as well as water and electric services through affiliated funds.

The Beneficiary is an average schedule carrier.

In the table below, we show the High Cost support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2019 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF BLS	$1,757,604
CAF ICC	$695,916
Total	**$2,453,520**

Source: USAC

In addition to the above, the Beneficiary also received $28,408 in ICLS funds which represent a true-up of prior year funding, and as such are excluded from 2019 audited disbursements.

The Beneficiary received high Cost support during the twelve-month period ended December 31, 2019, based on the following annual financial and operational data submitted by the Beneficiary to NECA and USAC:

- 2018 FCC Form 509, based on calendar year 2017 data, and
- 2018 CAF ICC Form, based on program year 2017 data

In the above referenced forms, as an average schedule company, the High Cost program beneficiaries provide line count data, the number of exchanges, and the totals of certain pre-designated G/L accounts including all revenue accounts.

OBJECTIVES

The audit objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost Program relative to disbursements, of $2,453,520, made from the High Cost Program during the twelve-month period ended December 31, 2019.

SCOPE

The scope of this performance audit included, but was not limited to, review of High Cost program forms or other correspondence and supporting documentation provided by the Beneficiary, assessment of the Beneficiary's methodology used to prepare or support the High Cost program forms or other correspondence, and evaluation of disbursement amounts made by the Beneficiary or potentially due to the Beneficiary. The scope of our work was focused on the High Cost program forms or other correspondence filed by the Beneficiary that relate to disbursements made from the High Cost program during the twelve-month period ended December 31, 2019, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the High Cost program during the twelve-month period ended December 31, 2019.

KPMG identified the following areas of focus for this performance audit:[1]

1. High Cost Program Filings

[1] If exceptions (instances of material non compliance with the FCC Rules) were noted in areas other than the in-scope areas as a result of our testing procedures and the execution of our performance audit, we identified those findings in the 'Results' section of the report.

2. Subscriber Listings and Billing Records
3. Revenues
4. Revenue Requirement
5. Exchanges

PROCEDURES

1. High Cost Program Filings

For the relevant High Cost program Forms (FCC Form 509 and CAF ICC) completeness of reported accounts were assessed by reconciling NECA Filings to the General Ledger and billing support. Reconciling items resulting from our analysis were discussed and cleared with the Beneficiary.

2. Subscriber Listings and Billing Records

KPMG analyzed subscriber listings and billing records to assess that the number and type of lines reported in the High Cost program filings agreed to underlying support documentation that subscriber listings did not include duplicate lines, invalid data, or non-revenue producing or non-working loops, and that lines were properly classified as residential/single-line business or multi-line business.

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KPMG examined revenue G/L accounts, invoices, and other related documentation to verify the accuracy and existence of revenue account balances.

4. Revenue Requirement

KPMG validated accuracy of the Beneficiary's calculation of its revenue requirement by confirming data inputs and completing recalculation procedures.

5. Exchanges

KPMG obtained and examined general exchanges tariffs and other related documentation to determine whether the Beneficiary reported the accurate number of exchanges.

RESULTS

KPMG's performance audit procedures resulted in no findings.

CONCLUSION

As discussed in detail above, our evaluation of the Beneficiary's compliance with the applicable requirements of the FCC Rules relevant to the disbursements made from the High Cost program during the twelve-month period ended December 31, 2019 identified no findings.

** This concludes the audit report.**

<u>Summary of High Cost Support Mechanism Beneficiary Audit Reports Released: November 2022.</u>

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Interior Telephone Company, Inc. **Attachment C**	1	• No significant findings.	$1,299,492	$6,537	$6,537	N
OTZ Telephone Cooperative, Inc. **Attachment D**	1	• No significant findings.	$797,868	($20,831)	$0	N
Paul Bunyan Rural Telephone Co. **Attachment E**	0	• Not applicable.	$693,504	$0	$0	N/A
Range Telephone Cooperative, Inc. - Wyoming **Attachment F**	0	• Not applicable.	$991,194	$0	$0	N/A
Total	**2**		**$3,782,058**	**($14,294)**	**$6,537**	

Attachment C

HC2021LR008

Universal Service Administrative Co.

Interior Telephone Company, Inc.

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund High Cost Support Mechanism Rules

USAC Audit No. HC2021LR008

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EXECUTIVE SUMMARY

August 17, 2022

Robert W. Dunn
Regulatory
Interior Telephone Company, Inc.
201 E. 56th Ave
Anchorage, AK 99518

Dear Robert Dunn:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Interior Telephone Company, Inc. (Beneficiary), study area code 613011 disbursements for the year ending December 31, 2019, using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 54, as well as other program requirements (collectively, FCC Rules). Compliance with FCC Rules is the responsibility of the Beneficiary's Management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding), as discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

USAC may have omitted certain information from this report concerning communications with USAC Management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the Federal Communication Commission (FCC) and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

Jeanette Santana Gonzales

Jeanette Santana-Gonzalez
USAC Senior Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

AUDIT RESULT AND RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery[1]
47 C.F.R. § 51.917(d) - Inaccurate Revenues: Access Recovery Charges: The Beneficiary did not report accurate Access Recovery Charge (ARC) revenues. The total ARC revenues reported were less than the maximum imputed ARC revenue that the carrier was required to report for CAF ICC purposes.	$6,537

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery from the Beneficiary for SAC 613011, for the High Cost Program support amount noted in the chart below. The Beneficiary must implement policies and procedures necessary to comply with FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure correct application of its procedures to ensure compliance with FCC Rules and Orders.

	CAF ICC (A)	USAC Recovery Action (A)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding	$6,537	$6,537	N/A

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with FCC Rules.

[1] The recovery amount noted in the table is not reflective of prior period or cap adjustments. The actual recovery amount for this final audit report will not exceed the proposed recovery amount.

SCOPE

In the following chart, AAD summarizes the High Cost Program support that was included in the scope of this audit:

High Cost Support	Data Period	Disbursement Period	Disbursements Audited
Connect America Fund (CAF) Intercarrier Compensation (ICC)	2016-2019	2019	$1,299,492

BACKGROUND

The Beneficiary is a cost-based eligible telecommunications carrier (ETC) that operates in Alaska.

PROCEDURES

AAD performed the following procedures:

A. High Cost Program Support Amount

AAD recalculated the support that the Beneficiary received for each High Cost component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost system.

B. High Cost Program Process

AAD obtained an understanding of the Beneficiary's processes related to the High Cost Program to determine whether the Beneficiary complied with FCC Rules.

C. Revenues

AAD obtained and examined the general ledger, invoices, and other related documentation to determine whether the Beneficiary reported accurate common line and other revenue balances.

DETAILED AUDIT FINDING

FINDING: 47 C.F.R. § 51.917(e)(1), (2) – Inaccurate Access Recovery Charge Revenues

CONDITION

AAD obtained and examined Beneficiary's supporting documentation to determine whether the Beneficiary reported the accurate maximum Access Recovery Charge (ARC) revenues for High Cost program purposes.[2] Based on AAD's review of the Beneficiary's supporting documentation, the Beneficiary used the ARC revenue from its general ledger to report its ARC revenue, rather than imputing the ARC revenue[3]. To impute the Beneficiary's ARC revenues, AAD examined the Beneficiary's line counts and multiplied by the maximum allowable ARC rate.[4] Based on the line counts provided in the Beneficiary's monthly charges and credits supporting documentation, AAD identified the following differences between the Beneficiary's imputed ARC revenues and the Beneficiary's reported ARC revenues:

Description	Program Year 2016-2017	Program Year 2017-2018	Total
Reported ARC Revenues	$97,804	$96,547	$194,351
Imputed ARC Revenues	$104,277	$103,152	$207,429
Difference: Over/(Under) Reported	**($6,473)**	**($6,605)**	**($13,078)**

Because the imputed ARC revenues were greater than the Beneficiary's reported ARC revenues, AAD concludes that the Beneficiary did not report the maximum ARC charges.[5]

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report the correct ARC revenues for High Cost program purposes. The Beneficiary stated that, for Multi-Line Business, the company did not bill multiple ARCs on services that included multiple Subscriber Line Charges (SLC) or Primary Rate Interfact (PRI) lines.[6]

EFFECT

AAD calculated the monetary effect for this finding by adding the difference between the understated amounts to the reported revenues by the Beneficiary in its ARC revenue accounts in its CAF ICC filing. AAD summarized the results below:

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[2] 47 C.F.R. § 51.917(f)(2) (2016).
[3] The Beneficiary did not generate any Consumer Broadband-Only Loop (CBOL) revenues.
[4] 47 C.F.R. § 51.917(e) (2016).
[5] *Id.*
[6] Beneficiary responses to audit inquiries, received June 6, 2022.

Support Type	Monetary Effect and Recommended Recovery
CAF ICC	$6,537

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amounts identified in the Effect section above.

The Beneficiary must ensure it has adequate systems to report accurate data for High Cost program purposes and maintain documentation to demonstrate compliance with FCC Rules. The Beneficiary must develop and implement policies, procedures, and processes that describe how the Beneficiary substantiates the inputs, calculates, documents and ensures accurate reporting of the access recovery charge revenues reported for High Cost program purposes. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

BENEFICIARY RESPONSE

Upon discovery of the discrepancy, TelAlaska immediately reviewed its processes and is working with its provider to ensure accurate data for billing and reporting its access recovery charge. The current process to identify and report access recovery charge revenues is being evaluated. A procedure to assess for accuracy prior to reporting will be included in the policy.

CRITERIA

47 C.F.R § 51.917(e)(1),(2):

> (e) Access Recovery Charge. (1) A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may be assessed a subscriber line charge pursuant to §69.104 of this chapter, to the extent necessary to allow the Rate-of-Return Carrier to recover some or all of its Eligible Recovery determined pursuant to paragraph (d) of this section, subject to the caps described in paragraph (e)(6) of this section. A Rate-of-Return Carrier may elect to forgo charging some or all of the Access Recovery Charge. (2) Total Access Recovery Charges calculated by multiplying the tariffed Access Recovery Charge by the projected demand for the year may not recover more than the amount of eligible recovery calculated pursuant to paragraph (d) of this section for the year beginning on July 1.

47 C.F.R § 51.917(f)(2):

> (2) Beginning July 1, 2012, a Rate-of Return Carrier may recover any eligible recovery allowed by paragraph (d) of this section that it could not have recovered through charges assessed pursuant to paragraph (e) of this section from CAF ICC Support pursuant to §54.304. For this purpose, the Rate-of-Return Carrier must impute the maximum charges it could have assessed under paragraph (e) of this section.

This concludes the report.

Attachment D

HC2021LR007

Available For Public Use

OTZ Telephone Cooperative, Inc.

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund High Cost Support Mechanism Rules
USAC Audit No. HC2021LR007

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EXECUTIVE SUMMARY

August 19, 2022

Kelly Williams, CEO
OTZ Telephone Cooperative, Inc.
346 Tundra Way, Box 324
Kotzebue, AK 99752

Dear Kelly Williams:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of OTZ Telephone Cooperative, Inc. (Beneficiary), study area code 613019 disbursements for the year ending December 31, 2019, using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 51 and 54, as well as other program requirements (collectively, FCC Rules). Compliance with FCC Rules is the responsibility of the Beneficiary's Management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

USAC may have omitted certain information from this report concerning communications with USAC Management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the Federal Communication Commission (FCC) and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

Jeanette Santana-Gonzalez

Jeanette Santana-Gonzalez
USAC Acting Deputy Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

AUDIT RESULT AND RECOVERY ACTION

Audit Result	Monetary Effect
Finding: 47 C.F.R. § 51.917(d)(iii)(A) - Inaccurate Revenues: Transitional Intrastate Access Service - The Beneficiary reported inaccurate Transitional Intrastate Access Service Revenues for both CAF ICC program years 2016-2017 and 2017-2018.	($20,831)

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for the Beneficiary for SAC 613019, for High Cost program support. The Beneficiary must implement policies and procedures necessary to comply with FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure correct application of its procedures to ensure compliance with FCC Rules and Orders.

	CAF ICC (A)	USAC Recovery Action (A)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding	($20,831)	$0	N/A

As the above findings represent a net underpayment, the total recommended recovery (and thus the recommended recovery for each individual finding) is zero as USAC policy is not to issue support in the case of a net underpayment. Thus, USAC recovery action is $0.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with FCC Rules.

SCOPE

In the following chart, AAD summarizes the High Cost Program support that was included in the scope of this audit:

High Cost Support	Data Period	Disbursement Period	Disbursements Audited
Connect America Fund (CAF) Intercarrier Compensation (ICC)	2016-2019	2019	$797,868

BACKGROUND

The Beneficiary is a cost-based eligible telecommunications carrier (ETC) that operates in Alaska.

PROCEDURES

AAD performed the following procedures:

A. High Cost Program Support Amount

AAD recalculated the support that the Beneficiary received for each High Cost component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost system.

B. High Cost Program Process

AAD obtained an understanding of the Beneficiary's processes related to the High Cost Program to determine whether the Beneficiary complied with FCC Rules.

C. Revenues

AAD obtained and examined the general ledger, invoices, and other related documentation to determine whether the Beneficiary reported accurate common line and other revenue balances.

DETAILED AUDIT FINDING

Finding: 47 C.F.R. § 51.917(d)(iii)(A) - Inaccurate Revenues: Transitional Intrastate Access Service

CONDITION

AAD obtained and examined the Beneficiary's billing reports and general ledger details to determine whether the Beneficiary reported accurate Transitional Intrastate Access Service Revenues (i.e., Terminating intrastate access revenue) for High Cost program purposes. AAD determined the Beneficiary reported inaccurate Transitional Intrastate Access Service Revenues for both CAF ICC program years 2016-2017 and 2017-2018.[1]

The reported revenues within the Beneficiary's general ledger contained other revenues in addition to terminating intrastate revenue, and included the total amount of revenue distributed from the Alaska Exchange Carrier's Association (AECA)[2] as a part of the state pool.[3] The Beneficiary provided monthly billing reports from AECA, which AAD agreed to the general ledger. In addition, AAD compared the intrastate terminating revenue from the AECA reports to the amounts reported in the Beneficiary's 24 Month View report from the National Exchange Carrier's Association (NECA), and identified the variances below:

CAF ICC Program Year	Terminating Intrastate Revenues from NECA 24 Month View Report [A]	Terminating Intrastate Revenues from AECA Billing Reports and General Ledger [B]	Overstatement / (Understatement) [A] – [B]
2016-2017	$23,048	$7,184	$15,864
2017-2018	$29,996	$4,135	$25,861
Total	**$53,044**	**$11,319**	**$41,725**

AAD determined that the Beneficiary included originating local switching revenue in the amount reported to NECA December 2016-June 2018. Thus, the Beneficiary over-reported the Transitional Intrastate Access Service Revenues for CAF ICC reporting purposes applicable to both program years 2016-2017 and 2017-2018. The Beneficiary stated that the Intrastate Originating Switched Access Revenues were reported to NECA in error.[4] Therefore, AAD concludes that the Beneficiary reported inaccurate Transitional Intrastate Access

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[1] *See* 47 C.F.R § 51.917(d)(iii)(A) (2017).

[2] AECA began in January 1991 and operates under the Alaska Intrastate Interexchange Access Charge Manual (http://www.alaska.net/~aeca/AIIACM%20-August%209%202018.pdf). AECA's primary responsibilities are: preparing, filing, and supporting the intrastate access charge tariff (RCA 999), billing and collecting intrastate access charge, handling disputes, and distributing access charge revenues to the member local exchange carriers.

[3] *See* Beneficiary response to audit inquiries, received Sept. 30, 2021.

[4] *See* Beneficiary response to audit inquiries, received Dec. 15, 2021.

Service Revenues. The Beneficiary must report accurate Transitional Intrastate Access Service Revenues for High Cost Program purposes.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules for reporting Intrastate Revenues for High Cost program purposes. The Beneficiary informed AAD that the methodology for reporting these revenues to NECA during the test period began before current management, and was not updated to exclude Intrastate Originating Switched Access Revenues.[5]

EFFECT

AAD calculated the monetary effect for this finding by subtracting the overstated amount from the total Transitional Intrastate Access Service Revenues amount reported by the Beneficiary in its CAF ICC filings.[6] AAD summarizes the results below:

Support Type	Monetary Effect
CAF ICC	($20,831)

RECOMMENDATION

The Beneficiary must implement an adequate system to ensure it reports accurate data for High Cost Program purposes and maintains documentation. The Beneficiary must develop and implement policies, procedures and processes that describe how the Beneficiary will ensure that it reports accurate Intrastate Revenue for High Cost purposes. In addition, the Beneficiary may learn more about documentation and reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

BENEFICIARY RESPONSE

> OTZ Telephone Cooperative, Inc. has updated its processes to ensure that it reports accurate Intrastate Revenues for High Cost purposes. We have identified the origination of the reporting error and have trained our personnel on how to retrieve the appropriate data and calculate the Intrastate Revenues being reported. We have also implemented a multi-layer review process to identify any errors before data is submitted.

[5] *See* Beneficiary response to audit inquiries, received Dec. 15, 2021.

[6] The CAF ICC program year provides for the disbursement of funds on a July to June basis, with true-up payments disbursed two years after the program year. The true-up payment for the 2016 – 2017 CAF ICC program year was disbursed from July 2018 to June 2019 (based on data submitted in June 2018) and the true-up payment for the 2017 – 2018 CAF ICC program year was disbursed from July 2019 to July 2020 (based on data submitted in June 2019). The audit period includes an examination of disbursements paid in 2016. Therefore the monetary effect for this Finding accounts for the last six months of the true-up payment that occurred from January to June 2019 that corresponds to the 2016–2017 program year and the first six months of the true-up payment that occurred from July to December 2019 that corresponds to the 2017 – 2018 program year.

CRITERIA

47 C.F.R § 51.917(d)(iii)(A):

(iii) Beginning July 1, 2014, a Rate-of Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-Return Carrier Baseline Adjustment Factor less: (A) The Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in §51.909 (including the reduction in intrastate End Office Switched Access Service rates), adjusted to reflect the True-Up Adjustment for Transitional Intrastate Access Service for the year beginning July 1, 2012.

47 C.F.R § 51.917(d)(iv):

(iv) Beginning July 1, 2015, and for all subsequent years, a Rate-of-Return Carrier's eligible recovery will be calculated by updating the procedures set forth in paragraph (d)(1)(iii) of this section for the period beginning July 1, 2014, to reflect the passage of an additional year in each subsequent year.

47 C.F.R § 51.903(j)

Transitional Intrastate Access Service means terminating End Office Access Service that was subject to intrastate access rates as of December 31, 2011; terminating Tandem-Switched Transport Access Service that was subject to intrastate access rates as of December 31, 2011; and originating and terminating Dedicated Transport Access Service that was subject to intrastate access rates as of December 31, 2011.

This concludes the report.

Attachment E

HC2021LR023

Available For Public Use

Paul Bunyan Rural
Audit Reference ID: HC2021LR023
(SAC No.: 361451)

Performance audit for the Universal Service High Cost Program - Disbursements made during the twelve-month period ended December 31, 2019

Prepared for: Universal Service Administrative Company

As of Date: 11/3/2022

KPMG LLP
1021 East Cary Suite 200
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

November 3, 2022

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objective relative to Paul Bunyan Rural, Study Area Code ("SAC") No. 361451 ("Paul Bunyan" or "Beneficiary") for disbursements, of $693,504[1] made from the Universal Service High Cost Program for legacy funds during the twelve-month period ended December 31, 2019. Our work was performed during the period from September 20, 2021 to November 3, 2022, and our results are as of November 3, 2022.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the Federal Communications Commission's ("FCC") Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost Program (collectively, the "FCC Rules") relative to disbursements, of $693,504, made from the High Cost Program for legacy funds during the twelve-month period ended December 31, 2019. Compliance with the FCC Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the FCC Rules as outlined in the Scope and Procedures sections of this report.

[1] This amount is Connect America Fund Intercarrier compensation (CAF ICC) funds only. Based on 2016 Rate-of-Return Reform Order, beneficiaries that are FCC authorized to receive Alternative Connect America Cost Model (ACAM) II funds must forfeit their Legacy funds (i.e., High Cost Loop (HCL) and Connect America Fund Broadband Loop Support (CAF BLS)). The Beneficiary converted to ACAM II in 2019, thus any HCL and CAF BLS funds received were converted to ACAM II funds and were not in scope for this audit.

As our report further describes, KPMG did not identify any findings as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

List of Acronyms

Acronym	Definition
ACAM	Alternative Connect America Cost Model
ARC	Access Recovery Charge
BLS	Broadband Loop Support
C.F.R.	Code of Federal Regulations
C&WF	Cable and Wire Facilities
CAF	Connect America Fund
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
COE	Central Office Equipment
CPR	Continuing Property Record
FCC	Federal Communications Commission
G/L	General Ledger
HCL	High Cost Loop
ICLS	Interstate Common Line Support
ILEC	Incumbent Local Exchange Carrier
MUS	Monetary Unit Sampling
NECA	National Exchange Carrier Association
Paul Bunyan	Paul Bunyan Rural Telephone
SAC	Study Area Code
SLC	Subscriber Line Charge
SVS	Safety Valve Support
TPIS	Telecommunications Plant In Service
USAC	Universal Service Administrative Company
USF	Universal Service Fund

BACKGROUND, OBJECTIVE, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC administers the USF through four support mechanisms: High Cost; Lifeline; Rural Health Care; and Schools and Libraries. With these four support mechanisms, the FCC strives to ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The High Cost Support Mechanism ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas, regardless of location or economic strata. Thus, the High Cost Program provides support for telecommunications companies (Beneficiaries) that offer services to consumers in less-populated areas. Several legacy High Cost Program support mechanisms are noted below:

1. HCL: HCL support is available for rural companies operating in service areas where the cost to provide service exceeds 115% of the national average cost per line. HCL support includes the following sub-component:
   a. SVS: SVS support is available to rural carriers that acquire high cost exchanges and make substantial post-transaction investments to enhance network infrastructure.
2. CAF ICC: CAF ICC support is available to ILECs to recover revenue that is not covered by the ARC to the end user.
3. CAF BLS: CAF BLS provides support for voice and broadband service, including stand-alone broadband. CAF BLS provides support for rate-of-return carriers to the extent that SLC caps do not permit them to recover their common line revenue requirements. CAF BLS replaced ICLS effective July 1, 2016.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $693,504, made from the High Cost program during the twelve-month period ended December 31, 2019.

Beneficiary Overview

Paul Bunyan Rural (SAC No. 361451), the subject of this performance audit, is a rural ILEC in Bemidji, Minnesota that serves over 10,000 customers in Minnesota. Paul Bunyan provides residential internet and voice packages as well as fiber optic internet and voice packages to businesses.

In the table below, we show the High Cost support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2019 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF ICC	$693,504
Total	**$693,504**

Source: USAC

The Beneficiary received High Cost support during the twelve-month period ended December 31, 2019, based on the following annual financial and operational data submitted by the Beneficiary to NECA and USAC:

- 2018 CAF ICC Form, based on program year 2017 data

In the above referenced forms, the High Cost program beneficiaries provide line count data and the totals of certain pre-designated G/L Accounts including revenues.

OBJECTIVE

The audit objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $693,504, made from the High Cost program for legacy funds during the twelve-month period ended December 31, 2019.

SCOPE

The scope of this performance audit included, but was not limited to, review of High Cost program forms or other correspondence and supporting documentation provided by the Beneficiary, assessment of the Beneficiary's methodology used to prepare or support the High Cost Program forms or other correspondence, and evaluation of disbursement amounts made by the Beneficiary or potentially due to the Beneficiary. The scope of our work was focused on the High Cost Program forms or other correspondence filed by the Beneficiary that relate to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the High Cost Program for legacy funds during the twelve-month period ended December 31, 2019.

KPMG identified the following areas of focus for this performance audit:[2]

1. High Cost Program Eligibility filings
2. Revenues, Subscriber Listings and Billing Records

[2] If exceptions (instances of material noncompliance with the FCC Rules) were noted in areas other than the in-scope areas as a result of our testing procedures and the execution of our performance audit, we identified those findings in the 'Results' section of the report.

PROCEDURES

1. **High Cost Program Eligibility filings**

   For the relevant High Cost Program form (CAF ICC), completeness of reported accounts were assessed via reconciliations to the G/L. Irreconcilable items were discussed with the Beneficiary and support obtained to resolve differences.

2. **Revenues, Subscriber Listings and Billing Records**

   KPMG examined revenue G/L accounts, invoices and other related documentation to verify the accuracy and existence of revenue account balances. KPMG analyzed subscriber listings and billing records to assess that the number and type of lines reported in the High Cost Program filings agreed to underlying support documentation, that subscriber listings did not include duplicate lines, invalid data, or non-revenue producing or non-working loops, and that lines were properly classified as residential/single-line business or multi-line business.

RESULTS

KPMG’s performance audit results noted no findings regarding the Beneficiary’s compliance with FCC requirements relative to Parts 32, 36, 51, 54, 64 and 69 of the FCC’s Rules, applicable to the disbursements made from the High Cost program for legacy funds during the twelve-month period ended December 31, 2019. USAC Management is responsible for any decisions and actions resulting from the findings or recommendations noted.

FINDINGS, RECOMMENDATIONS AND BENEFICIARY RESPONSES

KPMG’s performance audit procedures identified no findings.

CONCLUSION

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 applicable relevant to the disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019 identified no findings.

** This concludes the audit report.**

Attachment F

HC2021LR011

Available For Public Use

Range Telephone Cooperative, Inc. - Wyoming
Audit Reference ID: HC2021LR011
(SAC No.: 512251)

Performance audit for the Universal Service High Cost Program - Disbursements made during the twelve-month period ended December 31, 2019

Prepared for: Universal Service Administrative Company

As of Date: 11/3/2022

KPMG LLP
1021 East Cary Street, Suite 2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

November 3, 2022

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to Range Telephone Cooperative – Wyoming, Study Area Code ("SAC") No. 512251 ("Range WY" or "Beneficiary") for disbursements, of $991,194[1] made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2019. Our work was performed during the period from September 20, 2021 to November 3, 2022, and our results are as of November 3, 2022.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

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[1] This amount is Connect America Fund Intercarrier compensation (CAF ICC) funds only. Based on 2016 Rate-of-Return Reform Order, beneficiaries that are FCC authorized to receive ACAM II funds must forfeit their Legacy funds (i.e., High Cost Loop (HCL) and Connect America Fund Broadband Loop Support (CAF BLS)). The Beneficiary converted to ACAM II in 2019, thus any HCL and CAF BLS funds received were converted to ACAM II funds and were not in scope for this audit.

As our report further describes, KPMG did not identify any findings as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

List of Acronyms

Acronym	Definition
ARC	Access Recovery Charge
BLS	Broadband Loop Support
C.F.R.	Code of Federal Regulations
C&WF	Cable and Wire Facilities
CAF	Connect America Fund
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
COE	Central Office Equipment
CPR	Continuing Property Record
FCC	Federal Communications Commission
Form 509	CAF BLS Annual Common Line Actual Cost Data Collection Form
G/L	General Ledger
HCL	High Cost Loop
ICLS	Interstate Common Line Support
ILEC	Incumbent Local Exchange Carrier
MUS	Monetary Unit Sampling
NECA	National Exchange Carrier Association
Range – WY	Range Telephone Cooperative, Inc. - Wyoming
RT	RT Communications
SAC	Study Area Code
SLC	Subscriber Line Charge
SVS	Safety Valve Support
TPIS	Telecommunications Plant In Service
USAC	Universal Service Administrative Company
USF	Universal Service Fund

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC administers the USF through four support mechanisms: High Cost; Lifeline; Rural Health Care; and Schools and Libraries. With these four support mechanisms, the FCC strives to ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The High Cost Support Mechanism ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas, regardless of location or economic strata. Thus, the High Cost Program provides support for telecommunications companies (Beneficiaries) that offer services to consumers in less-populated areas. Several legacy High Cost Program support mechanisms are noted below:

1. HCL: HCL support is available for rural companies operating in service areas where the cost to provide service exceeds 115% of the national average cost per line. HCL support includes the following sub-component:
    a. SVS: SVS support is available to rural carriers that acquire high cost exchanges and make substantial post-transaction investments to enhance network infrastructure.
2. CAF ICC: CAF ICC support is available to ILECs to recover revenue that is not covered by the ARC to the end user.
3. CAF BLS: CAF BLS provides support for voice and broadband service, including stand-alone broadband. CAF BLS provides support for rate-of-return carriers to the extent that SLC caps do not permit them to recover their common line revenue requirements. CAF BLS replaced ICLS effective July 1, 2016.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $991,194, made from the High Cost program during the twelve-month period ended December 31, 2019.

Beneficiary Overview

Range Telephone Cooperative, Inc. - Wyoming (SAC No. 512251), the subject of this performance audit, is a rural ILEC located in Forsyth, Montana and Worland, Wyoming that serves almost 12,000 subscribers in rural Wyoming. Range- WY provides residential internet and voice packages as well as fiber optic internet and voice packages to businesses. Range- WY Telephone Cooperative wholly owns subsidiary, RT Communications. RT is a rural local exchange company offering local exchange service, broadband and other communication services in Wyoming.

In the table below, we show the High Cost support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2019 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF ICC	$991,194
Total	**$991,194**

Source: USAC

The Beneficiary received High Cost support during the twelve-month period ended December 31, 2019, based on the following annual financial and operational data submitted by the Beneficiary to NECA and USAC:

- 2018 CAF ICC Form, based on program year 2017 data

In the above referenced forms, the High Cost program beneficiaries provide line count data and the totals of certain pre-designated G/L Accounts including revenues.

OBJECTIVES

The audit objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $991,194, made from the High Cost program during the twelve-month period ended December 31, 2019.

SCOPE

The scope of this performance audit included, but was not limited to, review of High Cost program forms or other correspondence and supporting documentation provided by the Beneficiary, assessment of the Beneficiary's methodology used to prepare or support the High Cost Program forms or other correspondence, and evaluation of disbursement amounts made by the Beneficiary or potentially due to the Beneficiary. The scope of our work was focused on the High Cost Program forms or other correspondence filed by the Beneficiary that relate to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019.

KPMG identified the following areas of focus for this performance audit:[2]

1. High Cost Program Eligibility filings
2. Revenues, Subscriber Listings and Billing Records

PROCEDURES

1. **High Cost Program Eligibility filings**

   For the relevant High Cost Program form (CAF ICC) completeness of reported accounts were assessed via reconciliations to the G/L. Irreconcilable items were discussed with the Beneficiary and support obtained to resolve differences.

[2] If exceptions (instances of material noncompliance with the FCC Rules) were noted in areas other than the in-scope areas as a result of our testing procedures and the execution of our performance audit, we identified those findings in the 'Results' section of the report.

2. **Revenues, Subscriber Listings and Billing Records**

KPMG examined revenue G/L accounts, invoices and other related documentation to verify the accuracy and existence of revenue account balances. KPMG analyzed subscriber listings and billing records to assess that the number and type of lines reported in the High Cost Program filings agreed to underlying support documentation that subscriber listings did not include duplicate lines, invalid data, or non-revenue producing or non-working loops, and that lines were properly classified as residential/single-line business or multi-line business.

RESULTS

KPMG's performance audit results noted no findings regarding the Beneficiary's compliance with FCC requirements relative to Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules, applicable to the disbursements made from the High Cost program during the twelve-month period ended December 31, 2019. USAC Management is responsible for any decisions and actions resulting from the findings or recommendations noted.

FINDINGS, RECOMMENDATIONS AND BENEFICIARY RESPONSES

KPMG's performance audit procedures identified no findings.

CONCLUSION

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules, relevant to the disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019 identified no findings.

** This concludes the audit report.**

Summary of High Cost Support Mechanism Beneficiary Audit Report Released: December 2022.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Northwestern Indiana Telephone Company **Attachment G**	1	• No significant findings.	$2,731,509	($1,288)	$0	N
Total	**1**		**$2,731,509**	**($1,288)**	**$0**	

Attachment G

HC2021LR017

Northwestern Indiana Telephone Company Audit Reference ID: HC2021LR017 (SAC No.: 320800)

Performance audit for the Universal Service High Cost Program - Disbursements made during the twelve-month period ended December 31, 2019

Prepared for: Universal Service Administrative Company

As of Date: 11/16/2022

KPMG LLP
1021 E Cary St #2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

November 16, 2022

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to Northwestern Indiana Telephone Company's Study Area Code ("SAC") No. 320800 ("NITCO" or "Beneficiary") for disbursements, of $2,731,509 made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2019. Our work was performed during the period from August 4, 2021 to November 16, 2022, and our results are as of November 16, 2022.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States (2018 Revision, as amended). and American Institute of Certified Public Accountants Consulting Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the Federal Communications Commission's ("FCC") Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost Program (collectively, the " FCC Rules") relative to disbursements, of $2,731,509, made from the High Cost Program during the twelve-month period ended December 31, 2019. Compliance with the FCC Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the FCC Rules as outlined in the Scope and Procedures sections of this report.

As our report further describes, KPMG identified one finding as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on these results, we estimate that disbursements made to the Beneficiary from the High Cost Program for the twelve-month period ended December 31, 2019 were $1,288 lower than they would have been had the amounts been reported properly.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted findings that are not significant within the context of the audit objective but warrant the attention of those charged with governance. We reported these findings to the Beneficiary's management in a separate letter dated November 16, 2022.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

List of Acronyms

Acronym	Definition
ARC	Access Recovery Charge
BLS	Broadband Loop Support
C.F.R.	Code of Federal Regulations
C&WF	Cable and Wire Facilities
CAF	Connect America Fund
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
COE	Central Office Equipment
CPR	Continuing Property Record
FCC	Federal Communications Commission
Form 509	CAF BLS Annual Common Line Actual Cost Data Collection Form
G/L	General Ledger
HCL	High Cost Loop
HCL Form	National Exchange Carrier Association Universal Service Fund Data Collection Form
ICLS	Interstate Common Line Support
ILEC	Incumbent Local Exchange Carrier
MUS	Monetary Unit Sampling
NECA	National Exchange Carrier Association
NITCO	Northwestern Indiana Telephone Company
SAC	Study Area Code
SLC	Subscriber Line Charge
TPIS	Telecommunications Plant In Service
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Impact Overpayment (Underpayment)[1]			
	HCL	CAF BLS	CAF ICC	Total
HC2021LR017-F01: 47 C.F.R. § 32.2000(g)(2)(iii) – Inaccurate Depreciation Calculation – The Beneficiary did not calculate its depreciation expense using the average monthly asset balance.	($430)	($858)	$0	($1,288)
Total Net Monetary Effect	($430)	($858)	$0	($1,288)

[1] The recovery amount noted in the table is not reflective of prior period or cap adjustments. The actual recovery amount will not exceed the proposed recovery amount.

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results for SAC 320800 for the High Cost Program support. The Beneficiary must implement policies and procedures necessary to comply with FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure correct application of its procedures to ensure compliance with FCC Rules and Orders.

	HCL (A)	**BLS (B)**	**CAF ICC (C)**	**USAC Recovery Action (A) + (B) + (C)**	**Rationale for Difference (if any) from Auditor Recommended Recovery**
Finding #1	($430)	($858)	$0	($1,288)	N/A
Mechanism Total	($430)	($858)	$0	($1,288)	N/A

As the above findings represent a net underpayment, the total recommended recovery (and thus the recommended recovery for each individual finding) is zero, as USAC policy is not to issue support in the case of a net underpayment. Thus, USAC's recovery action is $0.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC administers the USF through four support mechanisms: High Cost; Lifeline; Rural Health Care; and Schools and Libraries. With these four support mechanisms, the FCC strives to ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The High Cost Support Mechanism ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas, regardless of location or economic strata. Thus, the High Cost Program provides support for telecommunications companies (Beneficiaries) that offer services to consumers in less-populated areas. Several legacy High Cost Program support mechanisms are noted below:

1. HCL: HCL support is available for rural companies operating in service areas where the cost to provide service exceeds 115% of the national average cost per line.
2. CAF ICC: CAF ICC support is available to ILECs to recover revenue that is not covered by the ARC to the end user.
3. CAF BLS: CAF BLS provides support for voice and broadband service, including stand-alone broadband. CAF BLS provides support for rate-of-return carriers to the extent that SLC caps do not permit them to recover their common line revenue requirements. CAF BLS replaced ICLS effective July 1, 2016.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $2,731,509, made from the High Cost program during the twelve-month period ended December 31, 2019.

Beneficiary Overview

NITCO (SAC No. 320800), the subject of this performance audit, is a rural ILEC located in Hebron, IN that serves over 6,800 customers in Indiana. NITCO provides telecommunications, local access, internet and long-distance services.

The Beneficiary is a wholly owned subsidiary of NITCO Holding Corporation, which also owns Serv-U-Cellular, Inc. NITCO Holding Corporation is wholly owned by the Rhys G Mussman Family, which also owns Telephony Leases, LLC and FbN Indiana.

In the table below, we show the High Cost support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2019 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF BLS	$1,768,224

High Cost Support	Disbursement Amount
CAF ICC	$803,634
HCL	$159,651
Total	$2,731,509

Source: USAC

In addition to the above, the Beneficiary also received $56,586 in ICLS funds which represent a true-up of prior year funding, and as such are excluded from 2019 audited disbursements.

The Beneficiary received high Cost support during the twelve-month period ended December 31, 2019, based on the following annual financial and operational data submitted by the Beneficiary to NECA and USAC:

- 2018-1 based on the twelve-month period ended December 31, 2017
- 2018 FCC Form 509, based on calendar year 2017 data, and
- 2018 CAF ICC Form, based on program year 2017 data

In the above referenced forms, the High Cost Program beneficiaries provide line count data and the totals of certain pre-designated G/L Accounts, including all asset accounts, that roll into the TPIS account as well as certain deferred liabilities and operating expenses, subject to the allocation between regulated and non-regulated activities (Part 64 Cost Allocations), the separation between interstate and intrastate operations (Part 36 Separations) and the separation between access and non-access elements (Part 69 Separations). In addition, the Beneficiary must submit certain annual investment data, including the categorization of COE and C&WF on the High Cost program forms.

OBJECTIVES

The audit objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules as well as specified FCC Orders governing federal Universal Service Support for the High Cost program relative to disbursements, of $2,731,509, made from the High Cost Program during the twelve-month period ended December 31, 2019.

SCOPE

The scope of this performance audit included, but was not limited to, review of High Cost program forms or other correspondence and supporting documentation provided by the Beneficiary, assessment of the Beneficiary's methodology used to prepare or support the High Cost program forms or other correspondence, and evaluation of disbursement amounts made by the Beneficiary or potentially due to the Beneficiary. The scope of our work was focused on the High Cost program forms or other correspondence filed by the Beneficiary that relate to disbursements made from the High Cost program during the twelve-month period ended December 31, 2019, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the High Cost program during the twelve-month period ended December 31, 2019.[2]

[2] Although the Beneficiary received CAF BLS funds, the deployment obligation for carriers receiving CAF BLS is 2024. Therefore, the audit scope does not include any procedures related to modernized funds.

KPMG identified the following areas of focus for this performance audit:[3]

1. Materiality Analysis
2. Reconciliation
3. Assets
4. Expenses
5. High Cost Program filings
6. COE Categorization
7. C&WF Categorization
8. Overheads
9. Taxes
10. Part 64 Cost Allocations
11. Affiliate Transactions
12. Revenues, Subscriber Listings and Billing Records
13. Revenue Requirement

PROCEDURES

1. Materiality Analysis

For applicable High Cost program forms, we obtained the forms submitted for the period ended December 31, 2017, input the information into KPMG's High Cost program models, and ran a materiality analysis that increased and decreased the account balances by +/- 50%, if the impact generated a +/- 5% or $100,000 change to overall disbursements, the individual line item/account was considered material for purposes of our performance audit.

2. Reconciliation

KPMG obtained the audited 2017 financial statements and reconciled to the G/L, from the G/L we reconciled to the Part 64 cost allocation inputs and then to the applicable High Cost program forms.

3. Assets

KPMG utilized a monetary unit sampling (MUS)[4] methodology to select 29 asset samples from material accounts identified in the relevant High Cost program forms. We made asset selections from CPR details, and material accounts included COE, C&WF and certain general support asset accounts. We assessed whether asset balances were properly supported by underlying documentation such as work orders, third-party vendor invoices, and time and payroll documentation for labor-related costs; agreed dollar amounts charged to the third-party invoices and verified proper Part 32 categorization. Additionally, we also verified the physical existence of selected assets.

[3] If exceptions (instances of material non compliance with the FCC Rules) were noted in areas other than the in-scope areas as a result of our testing procedures and the execution of our performance audit, we identified those findings in the 'Results' section of the report.
[4] Monetary unit sampling (MUS) is a random-based sampling approach.

4. **Expenses**

KPMG utilized monetary unit sampling methodology to select 29 expense and payroll samples from material operating expense accounts identified in the relevant High Cost Program forms. We agreed expense amounts to supporting documentation such as invoices and payroll data. We also verified that each selected sample item were coded to the proper Part 32 accounts and categorized accurately in terms of expense type and the nature of costs incurred (regulated versus non-regulated activities). We also obtained and examined monthly depreciation expense and accumulated depreciation schedules to assess whether the Beneficiary calculated and reported accurate depreciation expenses and accumulated depreciation.

5. **High Cost program filings**

For the relevant High Cost program forms (HCL, CAF BLS, CAF ICC), we assessed completeness of reported accounts by reconciling them to the audited financial statements. Irreconcilable items were discussed with the Beneficiary and additional support was obtained to resolve noted differences.

6. **COE Categorization**

KPMG reviewed the methodology established by the Beneficiary for COE categorization, including the process for updating the network map and COE cost studies as well as performing a physical inspection, on a sample basis. We assessed whether COE amounts reconciled to the cost studies by reviewing power and common line allocations, reviewing Part 36 inputs and confirming whether amounts agreed to the HCL form data.

7. **C&WF Categorization**

KPMG reviewed the methodology established by the Beneficiary for C&WF categorization including the process for updating the network map and C&WF cost studies. We assessed whether C&WF amounts reconciled to the cost studies and whether amounts agreed to the HCL form data. Additionally, we also performed a route distance inspection.

8. **Overheads**

KPMG performed a walkthrough of the overhead allocation and clearing process related to work orders and payroll for 2017. Additionally, we reviewed overhead clearing reports for the entire year and reviewed the overhead clearance process for compliance with Part 32 requirements.

9. **Taxes**

KPMG confirmed the tax filing status for the Beneficiary as an S-Corp and reviewed its Federal and state tax filings for 2017. We reviewed the tax provision and deferred income tax provision calculations, including supporting documentation, for reasonableness and developed an understanding of the effective tax rate. Additionally, we reviewed the Part 64 apportionment of operating tax account balances and evaluated the reasonableness of the Beneficiary's related cost allocation methods.

10. **Part 64 Cost Allocations**

KPMG reviewed the Beneficiary's cost apportionment methodology and evaluated the apportionment factors by performing a walkthrough with the Beneficiary and evaluating the reasonableness of the cost pool and regulated/non-regulated apportionment factors as compared to regulated and non-regulated activities performed by the Beneficiary, assessing the reasonableness of the allocation methods and corresponding data inputs used to calculate the material factors and recalculating each of the material factors.

11. Affiliate Transactions

KPMG performed procedures to assess the reasonableness of affiliate transactions relating to a lease agreement with Telephony Leases, LLC that occurred during 2017. We analyzed the population of affiliate transactions by reviewing the Beneficiary's audited financial statements, trial balance, and intercompany accounts. Additionally, we analyzed a sample of affiliate transactions. For the three samples tested, we reviewed the business purpose of each transaction and determined if the transactions were recorded in accordance with 47 C.F.R. Section 32.27 and 47 C.F.R. Section 36.2 and categorized in the appropriate Part 32 accounts.

12. Revenues, Subscriber Listings and Billing Records

KPMG examined revenue G/L accounts, invoices and other related documentation to verify the accuracy and existence of revenue account balances. KPMG analyzed subscriber listings and billing records to assess that the number and type of lines reported in the High Cost Program filings agreed to underlying support documentation that subscriber listings did not include duplicate lines, invalid data, or non-revenue producing or non-working loops, and that lines were properly classified as residential/single-line business or multi-line business.

13. Revenue Requirement

KPMG reviewed the calculation of the Beneficiary's revenue requirement, including assessing the reasonableness and application of Part 64 cost allocation, Part 36 and Part 69 separations and other cost study adjustments utilized in the calculation of the common line revenue requirement.

RESULTS

KPMG's performance audit results include the finding, recommendation and Beneficiary response regarding the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such finding relative to Parts 32, 36, 51, 54, 64 and 69 of the FCC's Rules, applicable to the disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019. USAC Management is responsible for any decisions and actions resulting from the finding or recommendation noted.

FINDINGS, RECOMMENDATIONS AND BENEFICIARY RESPONSES

Through its audit, KPMG identified one finding and details the finding, including the condition, cause, effect, recommendation and Beneficiary Response are below:

HC2021LR017-F01: 47 C.F.R. § 32.2000(g)(2)(iii) – Inaccurate Depreciation Calculation

CONDITION

KPMG inspected the Beneficiary's G/L and depreciation schedules to determine whether the Beneficiary reported its cost study balances accurately for High Cost program purposes. The Beneficiary used beginning month balances to compute depreciation expense, instead of average monthly balances, as prescribed by FCC Rules for the period of January 1, 2017 through December 31, 2017.

The differences noted in the Accumulated Depreciation and Depreciation Expense balances for the twelve-month period ended December 31, 2017, impacting the 2018-1 HCL Form and the Form 509 are as follows:

Account Description[5]	Variance for the 12 months ended December 31, 2017
Account 3100 (2110): Accumulated Depreciation - General Support Assets	($340)
Account 3100 (2230): Accumulated Depreciation - Central Office Transmission Equipment	$27
Account 3100 (2410): Accumulated Depreciation - Cable and Wire Facilities	($1,018)
Account 6560 (2110): Depreciation and Amortization Expense – General Support Assets	($340)
Account 6560 (2230): Depreciation and Amortization Expense – Central Office Transmission Equipment	$27
Account 6560 (2410): Depreciation and Amortization Expense – Cable and Wire Facilities	($1,018)

CAUSE

The Beneficiary did not have adequate processes in place to validate adjusting entries to the appropriate depreciation methodology occurred to have the total depreciation expense and accumulated depreciation align with FCC Rules.

[5] *See* 47 C.F.R. §§32.3100 and 32.6560 (2017).

EFFECT

KPMG calculated the monetary impact of this finding by subtracting or adding the value of the overstatement from, or understatement to, the total amount reported by the Beneficiary in its respective account or line items on the HC forms relative to disbursements made from the High Cost program for the twelve-month period ended December 31, 2019. This resulted in an under-payment of $1,288 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	($430)
CAF BLS	($858)
CAF ICC	N/A
Total	($1,288)

RECOMMENDATION

KPMG recommends that the Beneficiary enhance the preparation, review and approval processes and internal controls governing the calculation of depreciation to ensure compliance with FCC Rules and Orders. In addition, the Beneficiary may learn more about the reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/ common-audit-findings-high-cost-program/.

BENEFICIARY RESPONSE

NITCO will discuss alternate calculation feasibility with software provider and monitor depreciation expense/accumulated depreciation going forward to ensure compliance with relevant regulations.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 32.2000(g)(2)(iii) (2017)	"Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month.”
#1	47 C.F.R. § 32.3100 (2017)	“Accumulated depreciation. (a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service. (b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense - telecommunications plant in service. (Note also Account 3300, Accumulated depreciation - nonoperating.) (c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered. (d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.”
#1	47 C.F.R. § 32.6560 (2017)	Depreciation and amortization expenses. “Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6561 through 6565.”

CONCLUSION

As discussed in detail above, in our evaluation of the Beneficiary's compliance with the applicable requirements of the FCC Rules relevant to the disbursements made from the High Cost Program during the twelve-month period ended December 31, 2019 identified a Depreciation Expense finding.

KPMG estimates the combined monetary impact of these findings is as follows:

Fund Type	**Monetary Impact Overpayment (Underpayment)**
HCL	($430)
CAF BLS	($858)
CAF ICC	$0
Total Impact	($1,288)

KPMG recommends that the Beneficiary enhance the preparation, review, and approval processes governing the calculation of depreciation to ensure the appropriate depreciation method is utilized to be in compliance with FCC Rules.

** This concludes the audit report.**

Summary of Low Income Support Mechanism Beneficiary Audit Report Released: November 2022.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Infiniti Mobile **Attachment A**	2	• No significant findings.	$726,375	$9,967	$9,967	N
Total	**2**		**$726,375**	**$9,967**	**$9,967**	

Available For Public Use

Attachment A

LI2021LR007

Infiniti Mobile

Limited Scope Performance Audit on Compliance with the Federal Universal Service Fund Lifeline Support Mechanism Rules

USAC Audit No. LI2021LR007

CONTENTS

EXECUTIVE SUMMARY

October 11, 2022

Jason Welch, President
Infiniti Mobile
13601 Preston Road, STE E816
Dallas, TX 75240

Dear Jason Welch:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Infiniti Mobile (Beneficiary), for all study area codes (SACs) where the Beneficiary claimed subscribers during calendar year 2019, using the regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited scope performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed two detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

USAC may have omitted certain information from this report concerning communications with USAC Management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

Jeanette Santana Gonzales

Jeanette Santana-Gonzalez
USAC Senior Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Jason Lee, USAC Senior Director, Lifeline Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.410(b)(1)(i) - Improper Certification Completion: The Beneficiary did not obtain complete subscriber certification and recertification forms and errors when compared with eligibility documentation.	$8,665
Finding #2: 47 C.F.R. § 54.405(e)(4) - Improper Re-Certification Process: Failure to De-enroll Timely: The Beneficiary did not de-enroll subscribers within five business days of the subscriber's recertification deadline despite having been reported as failing to recertify.	$1,302
Total Net Monetary Effect	**$9,967**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC Management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the FCC Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its Lifeline Claims System (LCS) submissions for the calendar year 2019 (the audit period):

SAC Number	State/Territory	Support Type	Number of Subscriber Claims	Amount of Support
439050	OK	Tribal Lifeline	21,208	$726,375

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in the state identified in the Scope table above.

PROCEDURES

AAD performed the following procedures:

A. Lifeline Claims System

AAD obtained and examined the Beneficiary's LCS submissions for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Beneficiary's data files. AAD used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained transferred subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

B. Program Eligibility, Certification and Recertification Process

AAD obtained an understanding of the Beneficiary's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the FCC Rules. AAD also obtained and examined certification and/or recertification documentation or National Verifier results for 58 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households

AAD obtained an understanding of the Beneficiary's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Beneficiary to comply with the Independent Economic Household (IEH) requirements. AAD obtained and tested documentation or National Verifier results for 24 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts

AAD obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 58 subscribers.

E. Form 555

AAD obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Beneficiary's data files.

F. Non-Usage Process

AAD obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the FCC Rules. AAD also examined documentation for 58 subscribers to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service. The scope of this audit did not include an assessment of the Beneficiary's systems that provision process and monitor subscribers' usage activities.

G. Minimum Service Standard

AAD obtained and examined the Beneficiary's evidence of the level of service provided for 58 subscribers to determine whether the Beneficiary provided eligible services that meet the minimum service standards and complied with the FCC Rules.

H. Reseller-based Telecommunication Providers

AAD obtained an understanding of the Beneficiary's leased phone lines relating to the Lifeline Program to determine whether the Beneficiary complied with the FCC Rules. AAD also examined documentation to determine whether the Beneficiary properly claimed low-income subscribers' that used the leased phone lines.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.410(b)(1)(i) – Improper Certification Completion

CONDITION

AAD obtained and examined certification and recertification forms and proof of eligibility documentation for a non-statistical sample of 58 subscribers to determine whether the subscribers were eligible to receive the Lifeline program support claimed by the Beneficiary. Additionally, AAD obtained and examined the certification documentation and benefit proof for a nonstatistical sample of eight subscribers that had been identified by the Beneficiary as de-enrolled in 2018 and then subsequently appeared in NLAD during 2019 to determine whether the subscribers had completed a new certification prior to being enrolled.

For 29 of the 66 samples, the subscribers failed to properly complete certain fields on their subscriber certification and recertification forms as detailed below:

Omitted Fields[1]	**No. of Affected Forms**
Required disclosures and subscriber's signature	1
Subscriber's signature	2
A check in the box indicating the subscriber lives on Tribal Lands where tribal support was claimed	6
Date the certification form was completed	1
Errors	
Recertification form contained an "X" in the signature box[2]	15
Certification form was signed by the enrollment agent[1]	1
Recertification form contained Poverty Guidelines that were inconsistent with the subscriber's signature date[1]	16
Recertification form dated after the subscriber's anniversary date[3]	6
Agent information improperly completed with subscriber information[1]	1
Eligibility documentation did not agree to qualifying government program on recertification form[4]	2
Certification form/proof of eligibility did not agreed to NLAD[5]	2
Eligibility documentation did not contain details identifying the subscriber[4]	1
Total No. of Affected Subscribers[6]	**29**

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[1] *See* C.F.R. 47 § 54.410(d) (2017).

[2] Recertification forms were completed electronically. Although 47 C.F.R. § 54.419 states that an electronic symbol has the same legal effect as a written signature, AAD noted inconsistencies between electronic signatures on the sampled subscribers' forms. Some of the forms showed a visible signature of the subscriber, while others showed an "X" which appeared to be an error.

[3] 47 C.F.R. § 54.410(f)(2)(iii)

[4] 47 C.F.R. § 54.410(c)(1)

[5] 47 C.F.R. § 54.404(b)(6)

[6] Documentation for each subscriber certification may omit multiple required fields. Therefore, one certification may be included in multiple rows in the table above.

Because the subscribers did not properly complete the certification forms, AAD concludes that the 29 subscribers were not eligible to receive the Lifeline support claimed by the Beneficiary.

CAUSE

The Beneficiary did not have an adequate system in place for collecting Lifeline certification forms and eligibility documentation and verifying that they were properly and accurately completed. The Beneficiary informed AAD that it is currently implementing processes to address the issue and that it will continue to adjust its procedures as compliance obligations evolve.[7]

EFFECT

AAD calculated the monetary effect of this finding by determining the number of instances (months) the Beneficiary claimed Lifeline support for the 29 subscribers subsequent to the subscriber's Lifeline start date, as noted in the NLAD, until December 31, 2019. AAD identified a total of 253 instances for Tribal subscribers. AAD multiplied the instances by the Lifeline support amount reimbursed to the Beneficiary ($34.25). AAD summarized the results below:

Support Type	Monetary Effect and Recommended Recovery
Tribal Lifeline	$8,665

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amounts identified in the Effect section above.

The Beneficiary must implement policies, procedures, and controls to ensure that it complies with Lifeline program rules. In addition, the Beneficiary may learn more about documentation and reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-lifeline-program/.

BENEFICIARY RESPONSE

Beneficiary does not dispute the proposed finding, however, it notes that the isolated findings appear to be attributable to glitches in transmitting data from two different vendors – one used to support the application and enrollment proces [sic] and another providing customer service record management and other back office support functions. To the extent that any of these anomolous [sic] findings are not attributable to such errors, then they are attributable to isolated oversights in [sic] review of applications that were conducted during the audited period. Today, these errors, with one exception, are unlikley [sic] to occur, as the National Verifier has displaced the role of the ETC in verifying eligibility and identity. Notably mismatches in the basis for eligibility approved by the Naional [sic] Verifer [sic] and what an ETC records in NLAD are possible due to a significant and known design flaw in the National Verifer. ETCs are effectively blind to the basis upon which the National Verifier confirms eligibility and the National Verifier does not seed NLAD with that information but rather forces the ETC to seed that information based on information proviced by the applicant which may not actually be the basis upon which the National Verifier veried [sic] eligibility. That said, the

[7] Email response from Stacey Carmel, VP of Operations, Infiniti Mobile received on Aug. 4, 2022.

benefciary has a regular review process in place to ensure that the application information, disclosures and consents it collects outside of the National Verifier process are complete.

Finding #2: 47 C.F.R. § 54.405(e)(4) – Improper Re-Certification Process: Failure to De-enroll Timely

CONDITION

AAD obtained and examined the Beneficiary's 2019 Form 555 recertification details to determine whether the Beneficiary de-enrolled subscribers who failed to re-certify their continued eligibility within 5 business days of the recertification deadline. Of the 324 subscribers identified by the Beneficiary for failing to recertify, the Beneficiary did not de-enroll 184 subscribers within 5 business days of the recertification deadline. Of the 184 subscribers that were not de-enrolled timely, the Beneficiary only continued to claim Lifeline support for 15 subscribers. The remaining 169 subscribers were de-enrolled or transferred out after their recertification deadline, but within the same month of the deadline; thus claims for these subscribers were not submitted. Because the Beneficiary did not de-enroll the subscribers who failed to re-certify their continued eligibility, AAD concludes the 15 subscribers were not eligible to receive the Lifeline support claimed by the Beneficiary.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to maintain an accurate subscriber listing in NLAD by ensuring that subscribers who had failed to recertify were properly de-enrolled. The Beneficiary informed AAD that it is currently implementing processes to address the issue and that it will continue to adjust its procedures as compliance obligations evolve.[8]

EFFECT

AAD calculated the monetary effect of this finding by determining the number of instances (months) the Beneficiary claimed Lifeline support for the 15 subscribers after the month of the 2019 anniversary of the service initiation date for each subscriber. AAD identified a total of 46 instances for Tribal subscribers. AAD multiplied the number of instances by the Lifeline support amount reimbursed to the Beneficiary ($34.25), rounded to the nearest whole dollar. AAD summarized the results below:

Support Type	Monetary Effect (A)	Overlapping Exceptions (B)	Recommended Recovery (A) – (B)
Tribal Lifeline	$1,576	$274	$1,302

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amounts identified in the Effect section above.

[8] Email response from Stacey Carmel, VP of Operations, Infiniti Mobile received on Aug. 4, 2022.

The Beneficiary must implement policies, procedures and controls to ensure it de-enrolls subscribers who have failed to demonstrate their continued eligibility by the required deadline. In addition, the Beneficiary may learn more about documentation and reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-lifeline-program/.

BENEFICIARY RESPONSE

Beneficiary does not dispute this finding which does not reflect the company's current management's processes and elevated commitment to compliance. Beneficiary notes that NLAD deenrollment for failure to timely recertify is now performed by USAC. That said, Beneficiary has a daily review and a regular reconciliation process for any errors it detects in USAC's processing.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.410(b)(1)(i) (2018)	**Initial income-based eligibility determination.** (1) Except where the National Verifier, state Lifeline administrator or other state agency is responsible for the initial determination of a subscriber's eligibility, when a prospective subscriber seeks to qualify for Lifeline using the income-based eligibility criteria provided for in § 54.409(a)(1) an eligible telecommunications carrier: (i) Must not seek reimbursement for providing Lifeline to a subscriber, unless the carrier has received a certification of eligibility from the prospective subscriber that complies with the requirements set forth in paragraph (d) of this section and has confirmed the subscriber's income-based eligibility using the following procedures: (A) If an eligible telecommunications carrier can determine a prospective subscriber's income-based eligibility by accessing one or more databases containing information regarding the subscriber's income (“income databases”), the eligible telecommunications carrier must access such income databases and determine whether the prospective subscriber qualifies for Lifeline. (B) If an eligible telecommunications carrier cannot determine a prospective subscriber's income-based eligibility by accessing income databases, the eligible telecommunications carrier must review documentation that establishes that the prospective subscriber meets the income-eligibility criteria set forth in § 54.409(a)(1). Acceptable documentation of income eligibility includes the prior year's state, federal, or Tribal tax return; current income statement from an employer or paycheck stub; a Social Security statement of benefits; a Veterans Administration statement of benefits; a retirement/pension statement of benefits; an Unemployment/Workers' Compensation statement of benefit; federal or Tribal notice letter of participation in General Assistance; or a divorce decree, child support award, or other official document containing income information. If the prospective subscriber presents documentation of income that does not cover a full year, such as current pay stubs, the prospective subscriber must present the same type of documentation covering three consecutive months within the previous twelve months.
#1	47 C.F.R. § 54.410(d)(2) and (3) (2018)	Eligibility certification form. Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber’s eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that provide the information in paragraphs (d)(1) through (3) of this section in clear, easily understood language. If a Federal eligibility certification form is available, entities enrolling subscribers must use such form to enroll a qualifying low-income consumer into the Lifeline program.

Finding	Criteria	Description
		(2) The form provided by the entity enrolling subscribers must require each prospective subscriber to provide the information in paragraphs (d)(2)(i) through (viii) of this section: (i) The subscriber's full name; (ii) The subscriber's full residential address; (iii) Whether the subscriber's residential address is permanent or temporary; (iv) The subscriber's billing address, if different from the subscriber's residential address; (v) The subscriber's date of birth; (vi) The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number; (vii) If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits; and (viii) If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in § 54.409, the number of individuals in his or her household. (3) The form provided by the entity enrolling subscribers shall require each prospective subscriber to initial his or her acknowledgement of each of the certifications in paragraphs (d)(3)(i) through (viii) of this section individually and under penalty of perjury: (i) The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409; (ii) The subscriber will notify the carrier within 30 days if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program-based criteria for receiving Lifeline support, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit. (iii) If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e);

Finding	Criteria	Description
		(iv) If the subscriber moves to a new address, he or she will provide that new address to the eligible telecommunications carrier within 30 days; (v) The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service; (vi) The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge, (vii) The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and (viii) The subscriber acknowledges that the subscriber may be required to re-certify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to § 54.405(e)(4).
#1	47 C.F.R. § 54.410(f)(2)(iii) (2018)	If the subscriber's program-based or income-based eligibility for Lifeline cannot be determined by accessing one or more state databases containing information regarding enrollment in qualifying assistance programs, then the eligible telecommunications carrier may obtain a signed certification from the subscriber on a form that meets the certification requirements in paragraph (d) of this section. If a Federal eligibility recertification form is available, entities enrolling subscribers must use such form to re-certify a qualifying low-income consumer.
#1	47 C.F.R. § 54.410(c)(1)(i)(B) (2018)	If an eligible telecommunications carrier cannot determine a prospective subscriber's program-based eligibility for Lifeline by accessing eligibility databases, the eligible telecommunications carrier must review documentation demonstrating that a prospective subscriber qualifies for Lifeline under the program-based eligibility requirements. Acceptable documentation of program eligibility includes the current or prior year's statement of benefits from a qualifying assistance program, a notice or letter of participation in a qualifying assistance program, program participation documents, or another official document demonstrating that the prospective subscriber, one or more of the prospective subscriber's dependents or the prospective subscriber's household receives benefits from a qualifying assistance program.
#1	47 C.F.R. § 54.404(b)(6) (2018)	The National Lifeline Accountability Database. In order to receive Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements: (6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber's full name; full residential address; date of

Finding	Criteria	Description
		birth and the last four digits of the subscriber's Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline.
#2	47 C.F.R. § 54.405(e)(4) (2018)	De-enrollment for failure to re-certify. Notwithstanding paragraph (e)(1) of this section, an eligible telecommunications carrier must de-enroll a Lifeline subscriber who does not respond to the carrier's attempts to obtain re-certification of the subscriber's continued eligibility as required by § 54.410(f); or who fails to provide the annual one-per-household re-certifications as required by § 54.410(f). Prior to de-enrolling a subscriber under this paragraph, the eligible telecommunications carrier must notify the subscriber in writing separate from the subscriber's monthly bill, if one is provided, using clear, easily understood language, that failure to respond to the re-certification request will trigger de-enrollment. A subscriber must be given 60 days to respond to recertification efforts. If a subscriber does not respond to the carrier's notice of impending de-enrollment, the carrier must de-enroll the subscriber from Lifeline within five business days after the expiration of the subscriber's time to respond to the re-certification efforts.

This concludes the report.