High Cost & Low Income

Audit Reports Briefing Book

Monday, April 28, 2025

Available for Public Use

Universal Service Administrative Company

700 12th Street, NW, Suite 900

Washington, DC 20005

Summary of the High Cost Support Mechanism Beneficiary Audit Reports Released: December 2024 and January 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A Valley Telephone Cooperative, Inc.	0	• Not applicable.	$1,031,136	$0	$0	N/A
Attachment B Brooklyn Mutual Telecommunications Cooperative	0	• Not applicable.	$73,141	$0	$0	N/A
Attachment C Stanton Telecom, Inc.	2	• No significant findings.	$1,300,644	$25,251	$25,251	Partial
Total	**2**		**$2,404,921**	**$25,251**	**$25,251**	

Attachment A

HC2024LR020

Valley Telephone Cooperative, Inc.

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

USAC Audit No. HC2024LR020

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EXECUTIVE SUMMARY

November 22, 2024

Troy Judd, CFO
Valley Telephone Cooperative, Inc.
752 E Maley Street
P.O. Box 970
Willcox, AZ 85644-0970

Dear Mr. Judd:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Valley Telephone Cooperative, Inc. (Beneficiary), study area code 452176 disbursements for the year ended December 31, 2023, 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 Federal Communication Commission (FCC) Rules is the responsibility of the Beneficiary. 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 did not disclose any areas 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-Gonzalez

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

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)	2020-2022	2023	$1,031,136
Total			**$1,031,136**

BACKGROUND
The Beneficiary is an eligible telecommunications carrier (ETC) that operates in Arizona.

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. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with based on the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

C. Line Count Records
AAD obtained and examined the Beneficiary's subscriber listings and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine whether the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

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

This concludes the report.

Attachment B

HC2024LR003

Brooklyn Mutual Telecommunications Cooperative

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

USAC Audit No. HC2024LR003

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EXECUTIVE SUMMARY

November 14, 2024

Tim Atkinson, General Manager
127 Jackson Street
P.O Box 578
Brooklyn, IA 52211

Dear Mr. Atkinson:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Brooklyn Mutual Telecommunications Cooperative (Beneficiary), study area code 351113 disbursements for the year ended December 31, 2022, using the regulations, set forth in 47 C.F.R. Parts 51, and 54, and orders governing the federal Universal Service High-Cost Support Mechanism as well as other program requirements (collectively, FCC Rules). Compliance with Federal Communication Commission (FCC) Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with 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 did not disclose any areas 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 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
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

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) Broadband Loop Support (BLS)	2019-2021	2022	$85[1]
Connect America Fund (CAF) Intercarrier Compensation (ICC)	2019-2021	2022	$73,056
Total			**$73,141**

BACKGROUND

The Beneficiary is an average schedule eligible telecommunications carrier (ETC) that operates in Iowa.

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. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with based on the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

C. Line Count Records

AAD obtained and examined the Beneficiary's subscriber listings and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine whether the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

[1] Due to de minimis amount of BLS disbursements, testing was not performed. Beneficiary transitioned to Alternative Connect America Cost Model (ACAM).

D. Revenues

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

This concludes the report.

Attachment C

HC2023LR022

Universal Service Administrative Company

Limited Review Performance Audit

Stanton Telecom, Inc.

Compliance with the Federal Universal Service Fund High Cost Support Mechanism Rules

USAC Audit No. HC2023LR022

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Executive Summary

September 19, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC[1] (referred to as "we") was engaged to conduct a limited-review performance audit on the compliance of Stanton Telecom, Inc. (STI or the Beneficiary), study area code **371592**, for disbursements made from the federal Universal High Cost (HC) Program during the year ended December 31, 2021. Sikich conducted the audit field work from March 15, 2023, to September 19, 2024.

We 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 we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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 our findings and conclusions based on the audit objectives.

The objectives of this limited-review performance audit were to evaluate the Beneficiary's compliance with the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64, and 69, as well as the Federal Communications Commission's (FCC's) Orders governing the Universal Service Support for the HC Program relative to disbursements (collectively, FCC Rules). Compliance with FCC Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with FCC Rules based on our limited-scope performance audit.

Based on the test work performed, our audit disclosed two detailed audit findings, as discussed in the Audit Results and Recovery Action section. For the purpose of this report, a "finding" is a

[1] Effective December 14, 2023, we amended our legal name from "Cotton & Company Assurance and Advisory, LLC" to "Sikich CPA LLC" (herein referred to as "Sikich"). Effective January 1, 2024, we acquired CLA's federal practice, including its work for the Universal Service Administrative Company.

condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

Certain information may have been omitted 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 upon request.

Audit Results and Recovery Action

Our performance audit procedures identified two detailed audit findings, which are summarized below.

Audit Results	Monetary Effect & Recommended Recovery				
	CAF BLS	HCL	CAF ICC	Total	Recommended Recovery[2]
Finding No. 1, 47 C.F.R. § 54.320(b)(2019) – Inadequate Documentation: Assets, Expenses, and Affiliates. The Beneficiary did not maintain sufficient documentation to support expenses, assets, and affiliate transactions that it reported for HC Program purposes.	$12,210	$9,977	$0	$22,187	$22,187
Finding No. 2, 47 C.F.R. § 32.12(a)(2019) – Inaccurate Reporting of Expense – Outside of Data Period. The Beneficiary did not properly exclude expenses for services performed outside the data period.	$1,569	$1,495	$0	$3,064	$3,064
Total Monetary Effect	**$13,779**	**$11,472**	**$0**	**$25,251**	**$25,251**

[2] The HC Program does not pay additional support in the event of a finding resulting in an underpayment.

USAC Management Response
USAC management concurs with the audit results and will seek recovery from the Beneficiary for SAC 371592, for the High Cost Program support in the amount noted in the chart below. The Beneficiary must also 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.

Regarding Finding #1, USAC management requires the Beneficiary to be placed on a Corrective Action Plan (CAP) to address lack of documentation and data retention procedures. As part of the CAP, the Beneficiary must report to High Cost management, within 60 days of the date of the Notification Letter (to be issued by USAC's High Cost Division), how it plans to improve its documentation processes.

Finding	CAF BLS (A)	HCL (B)	CAF ICC (C)	USAC Recovery Action (A)+(B)+(C)	Rationale for Difference (If Any) From Auditor Recommended Recovery
Finding #1	$12,210	$9,977	$0	$22,187	N/A
Finding #2	$1,569	$1,495	$0	$3,064	N/A
Total	**$13,779**	**$11,472**	**$0**	**$25,251**	N/A

Background and Program Overview

Background

Stanton Telecom, Inc, is a cost-based eligible telecommunications carrier (ETC) that provides services to more than 700 subscribers in northeast Nebraska. The Beneficiary has a wholly owned subsidiary named Stanton Long Distance, LLC (SLD). The Beneficiary also has a related-party relationship with Cable TV (CATV) of Stanton and Paden Enterprises, Inc. (Paden), which have partnerships with common owners of STI. In addition to providing Part 64 regulated services, the Beneficiary provides long-distance and billing and collections services. The long-distance and billing and collections services fall under different regulations than local exchange services do; however, they are specifically considered non-regulated as it pertains to Part 64 regulated/non-regulated accounting.

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 federal Universal Service Fund (USF), which is designed to ensure that all people, regardless of location or income, have affordable access to telecommunications and information services. USAC administers the collection and disbursement of USF money through four USF programs: Lifeline, E-Rate, High Cost, and Rural Health Care. USAC may not make policy, interpret regulations, or advocate regarding any matter of universal service policy.

The HC Program, a component of the USF, ensures that consumers in rural areas of the country have access to telecommunications services—and pay rates for those services—that are reasonably comparable to the services provided and rates paid in urban areas. During the relevant audit period, the following support mechanisms were available to cost-based telecommunications carriers:

- **High Cost Loop (HCL) Support:** HCL is available for rural companies operating in service areas where the cost to provide service exceeds 115 percent of the national average cost per loop.

- **Rate-of-Return Incumbent Local Exchange Carrier (ILEC) Connect America Fund (CAF) Intercarrier Compensation (ICC) Support:** CAF ICC support is available to rate-of-return ILECs to assist them in offsetting ICC revenues that they do not have the opportunity to recover through the access recovery charge (ARC) billed to the end user. The calculation of a rate-of-return carrier's eligible recovery begins with its base period revenue. A rate-of-return carrier's base period revenue is the sum of certain terminating intrastate switched access revenues and net reciprocal compensation revenues received by March 31, 2012, for services provided during Fiscal Year (FY) 2011 and the projected revenue requirement for interstate switched access services for the 2011–2012 tariff period. The base period revenue for rate-of-return carriers is reduced by 5 percent in each year beginning with the first year of the reform. A rate-of-return carrier's eligible recovery is equal to the adjusted base period revenue for the year in question, less—for the relevant year of the transition—the sum of: (1) projected terminating intrastate switched access revenue; (2) projected interstate switched access revenue; and (3) projected net reciprocal compensation revenue.

- **CAF Broadband Loop Support (BLS):** CAF BLS is a reform of the Interstate Common Line Support (ICLS) that helps carriers recover the difference between loop costs associated with providing voice and/or broadband service and consumer loop revenues.

Objectives, Scope, and Procedures

Objective

The purpose of our audit was to determine whether the Beneficiary complied with FCC Rules for the 2021 disbursement period.

Scope

The chart below summarizes the HC Program support included in the audit scope.

High Cost Support	Data Period	Disbursement Period	Disbursements Audited
CAF BLS	2019	2021	$754,806
HCL	2019-2020	2021	$335,286
CAF ICC	2018-2020	2021	$210,552
		Total	**$1,300,644**

Procedures

We performed the following procedures:

A. High Cost Program Support Amount
We recalculated the support that the Beneficiary received for each High Cost component to determine whether there were no more than nominal differences between the amounts received and those recorded in the High Cost system.

B. High Cost Program Process
We obtained an understanding of the Beneficiary's processes related to the HC Program to determine whether the Beneficiary complied with FCC Rules. We also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings based on the dates established by FCC Rules for the support mechanisms identified in the audit scope.

C. Fixed Assets
We obtained and examined the Beneficiary's Continuing Property Records (CPRs) work orders, invoices, and related documentation to determine whether the Beneficiary reported accurate central office switching equipment balances, as well as Cable and Wire Facilities equipment balances. We also examined documentation and conducted a physical inventory to determine whether the Beneficiary categorized fixed assets to the proper accounts.

D. Operating Expenses
We obtained and examined monthly depreciation and plant accumulated depreciation schedules to determine whether the Beneficiary reported accurate depreciation expenses and accumulated depreciation. We obtained and examined the allocation method and summary schedules to determine whether the Beneficiary reported accurate benefit and rent expenses. We obtained and examined general ledger details for select expenses and examined invoices to support the existence of the general support, corporate operations, plant specific, and plant non-specific expenses.

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

F. Affiliate Transactions
We obtained an understanding of the Beneficiary's organizational structure to determine whether the Beneficiary had any affiliated entities. We also obtained and examined a listing of transactions between the Beneficiary and its affiliated entities, as well as management, service, and lease agreements related to the transactions, to determine whether the Beneficiary recorded transactions in accordance with 47 C.F.R. § 32.27.

G. **Cost Allocation**
We obtained the Beneficiary's Part 64, Part 36, and Part 69 study balances and agreed these study balances to the amounts utilized to calculate HC Program support. We reviewed the Beneficiary's cost apportionment methodology to assess the reasonableness of the allocation methods and examined corresponding data inputs used to calculate the factors. We evaluated the reasonableness of the assignment between regulated, nonregulated, common costs, and the apportionment factors relative to our understanding of the regulated and nonregulated activities performed by the Beneficiary.

Detailed Audit Findings

Finding No. 1, 47 C.F.R. § 54.320(b) (2019) – Inadequate Documentation: Assets, Expenses, and Affiliates

Condition
We obtained and examined records such as the Beneficiary's general ledger; CPRs; cost-study balances; work orders; timesheets for labor costs; labor and vehicle spread allocation inventory summaries; affiliate transaction listings; supporting documentation (e.g., invoices, leases, affiliate agreements, and tariffs); and the background questionnaire[3] for the year ended December 31, 2019 to determine whether the Beneficiary properly recorded its assets, expenses, and affiliate transactions. FCC Rules require carriers to retain all records for 10 years to show that the support received was consistent with the universal service high-cost program rules.[4] We then selected samples of asset, expense, and affiliate transactions for testing. Specifically, for asset testing, we selected a sample of 24 transactions totaling $1,059,985; for expense testing, we selected a sample of 24 transactions totaling $119,827; and for affiliate testing, we selected a sample of 2 transactions with an absolute value of $13,739.[5] We then reviewed these samples to determine whether the Beneficiary accurately reported its assets, expenses, and affiliate transactions for HC Program purposes.

Assets
The Beneficiary was unable to provide adequate documentation to support how it determined the material amounts in their work order summary[6] prepared by the cost consultant. We also determined that the Beneificary could not adequately support the labor and vehicle allocation, because the Beneficiary based the labor and vehicle spread on the material costs within the work orders

[3] We sent the Beneficiary a background questionnaire with the audit announcement package requesting responses to questions about the Beneficiary's HC Program processes.
[4] See 47 C.F.R. § 54.320(b) (2019).
[5] Affiliate transaction types are both expense and revenue in nature and therefore noted in absolute value.
[6] Each asset sample amount was made up of multiple work orders. The Beneficiary provided a summary for each sample to show how it derived the sample amount.

Below we summarize the effect of the exceptions to Part 64 and Part 36 balances resulting from inadequate or missing documentation:

Recalculation of Part 64 Balances			
Account	**As Reported Part 64 Balances (A)**	**Sikich Audited Balances (B)**	**Variance Overstatement (A-B)**
Cable and Wire Facilities Investment (Account 2410)	$7,248,908	$7,163,605	$85,303
Cable and Wire Facilities Accumulated Depreciation (Account 3100-2410)	$4,081,649	$4,033,618	$48,031
Deferred Taxes Cable and Wire Facilities (Account 4340-2410)	$574,302	$567,544	$6,758
Cable and Wire Facilities Expense (Account 6410)	$128,526	$127,014	$1,512
Depreciation Expense Cable and Wire Facilities (Account 6560-2410)	$339,921	$335,921	$4,000
Cable and Wire Facilities (DL700)	$7,248,908	$7,163,606	$85,302
Category 1 Investment for Cable and Wire (DL710)	$5,203,416	$5,137,895	$65,521

Impact to Cable and Wire Facilities Categorization			
Category	**As Reported Part 36 Balances (A)**	**Sikich Audited Balances (B)**	**Variance Overstatement (A-B)**
Category 1 – 1.1 Exch line x/Wideband (WB)	$173,600	$171,553	$2,047
Category 1 - 1.3 Jointly Used	$5,301,471	$5,238,952	$62,519
Category 2 – WB Line (non-DSL)	$126,939	$125,442	$1,497
Category 2 - WB Trunk	$1,546,649	$1,528,410	$18,239
Category 3 – WB Direct Assignment	$9,420	$9,309	$111
Category 3 - Joint Messaging (MSG) (x/WB)	$69,711	$68,889	$822
Private Line (PL)& Local x/WB	$5,652	$5,585	$67

Total	$7,233,442	$7,148,140	$85,302

Expenses
The Beneficiary was unable to adequately support 2 of the 24 sampled expenses, as follows:

- The Beneficiary was not able to provide documentation to support $4,200 paid to its president, for which no associated labor hours were recorded in Executive Expense Account 6710. The Beneficiary stated that there had been a fire in its storage room, making it difficult to retrieve all of the necessary support documents.

- The Beneficiary was not able to provide a copy of the contract to support the retainer fee that it paid for lobbying/consulting services related to universal service reform that were recorded to Account 6720, General Administrative Expense. As we were unable to review the specific services covered by the retainer fee, we were unable to verify that $7,700 retainer amount the Beneficiary recorded to Account 6120, General Support Expense, for the year ended December 31, 2019, was related to the intended use of federal service support funding.[7]

Below, we summarize the effect of the exceptions to Part 64 balances resulting from the missing documentation.

Recalculation of Part 64 Balances			
Account	As Reported Part 64 Balances (A)	Sikich Audited Balances (B)	Variance Overstatement (A-B)
Executive Expense (Account 6710)	$232,368	$228,168	$4,200
General Administrative Expense (Account 6720)	$418,077	$410,377	$7,700

Affiliates
For one affiliate transaction, the Beneficiary leased office building space from Paden, a related party. The Beneficiary stated that there is no formal lease agreement to support the affiliate transaction. As a result, the Beneficiary could not provide adequate documentation to support that it valued the amounts recorded for lease transactions with its affiliate in accordance with FCC Rules.[8]

Specifically, the Beneficiary leased building space from Paden from January 1, 2019, to December 31, 2019. To determine the annual rental amount, Paden, noted that it used the fair value of its office building, which it calculated to be $320,000; however, this amount is greater

[7] See *FCC Reminds ETCs of High-Cost Support Requirements*, WC Docket No. 10-90, Public Notice, FCC 15-133, 30 FCC Rcd 11821 (2015) and *FCC Provides Additional $500 Million in Funding for Rural Broadband, WC Docket No. 10-90, Public Notice, FCC 18-29 33 FCC Rcd 2990 (2018)*.
[8] See 47 C.F.R. § 54.320(b) (2019).

than the $305,808 fair value assessment provided by an independent assessor.[9] Additionally, Paden applied a 9 percent rate of return to the $320,000 fair value it assigned to its office building to derive a total annual rental amount of $28,800, which was equally allocated to three entities (Paden, CATV of Stanton and STI). However, as no formal agreement exists to support the rental allocation, we were unable to determine whether the $9,650 the Beneficiary recorded to Account 6120, General Support Expense (as recorded in the general ledger for the year ended December 31, 2019) was accurate and cost-causative. We determined the entire rental amount recorded to be unsupported.

Below, we summarize the effect to Part 64 balances resulting from the inadequate or missing documentation.

Recalculation of Part 64 Balances			
Account	As Reported Part 64 Balances (A)	Sikich Audited Balances (B)	Variance Overstatement (A-B)
General Support Expense (Account 6120)	$73,102	$63,452	$9,650

Cause

The Beneficiary did not have adequate data retention procedures in place to ensure that it properly retained sufficient records to demonstrate that it recorded its assets, expenses, and affiliate transactions in the proper amount and to the proper general ledger account for HC Program purposes, as required by FCC Rules.[10]

Effect

We calculated the monetary effect to the Beneficiary's HC Program filing by subtracting the overstated amounts noted in the "Recalculation of Part 64 Balances" and "Impact of Cable and Wire Facilities Categorization" tables above from the balances reported in its HC Program filing for the period ending December 31, 2019. We have summarized the impact of this finding relative to disbursements made from HC Program for the 12-month period ending December 31, 2019, in the table below.

Support Type	Monetary Effect & Recommended Recovery
CAF BLS	$12,210
HCL	$9,977
CAF ICC	$0
Total	**$22,187**

[9] The Beneficiary provided a copy of an assessment performed by the Dodge County Assessor. The assessment indicates that the fair value of the office building was $305,808 in 2019.
[10] Per 47 C.F.R. § 54.320(b) (2019) carriers must retain records for 10 years from the date of disbursement.

Recommendation
We recommend that USAC management seek recovery of the amounts identified in the Effect section above. We also recommend that the Beneficiary develop and implement policies, procedures, and processes to ensure that it maintains sufficient supporting documentation related to assets, expenses, and affiliate transactions in accordance with FCC Rules.

The Beneficiary may learn more about documentation and reporting requirements on the USAC website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common%20audit-findings-high-cost-program/.

Beneficiary Response
Stanton agrees with the finding due to lack of supporting documentation. Stanton has completed a review of their document retention practices, provided training and updated their policies to assure all proper documentation s retained for all assets, expenses, and affiliated transactions.

Sikich Response
Our position to this finding has not changed.

Finding No. 2, 47 C.F.R. § 32.12(a) (2019) – Inaccurate Reporting of Expense – Outside of Data Period

Condition
FCC Rules require carriers to keep financial records in accordance with generally accepted accounting principles.[11] We obtained and examined the Beneficiary's general ledger, invoices, and checks for the year ending December 31, 2019. We selected a non-statistical sample of 24 expense transactions totaling $119,827 and tested these samples to determine whether the Beneficiary accurately reported its expenses for HC Program purposes. Our review of the supporting documentation revealed that the Beneficiary did not accurately record one expense as it related to services provided as of December 22, 2018, which is before the January 1 to December 31, 2019, audit data period.[12]

Below we summarize the effect to Part 64 balances resulting from the recording of an expense outside of the audit data period.

Recalculation of Part 64 Balances			
Account	As Reported Part 64 Balances (A)	Sikich Audited Balances (B)	Variance Overstatement (A-B)
General Administrative Expense (Account 6720)	$418,077	$412,703	$5,374

[11] 47 C.F.R. § 32.12(a) (2019).
[12] The data period audited is 2019, for the 2021 disbursement period.

Cause
The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to ensure that it recorded expense transactions to the proper data period for HC Program purposes.

Effect
We calculated the monetary effect to the Beneficiary's HC Program filing by subtracting the overstated amount of $5,374 from the General Administrative Expense (Account 6720) reported in its HC Program filing for the period ending December 31, 2019. We have summarized the impact of this finding relative to disbursements made from HC Program for the 12-month period ending December 31, 2019, in the table below.

Support Type	Monetary Effect & Recommended Recovery
CAF BLS	$1,569
HCL	$1,495
CAF ICC	$0
Total	**$3,064**

Recommendation
We recommend that USAC management seek recovery of the amounts identified in the Effect section above. We also recommend that the Beneficiary develop and implement policies, procedures, and processes that ensure it only includes costs related to the applicable data period when submitting amounts for HC Program purposes.

The Beneficiary may learn more about documentation and reporting requirements on the USAC website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common%20audit-findings-high-cost-program/.

Beneficiary Response
Stanton does not agree with the finding of inaccurate reporting of expenses outside the data period. Stanton's auditors review invoices and utilize an accrual process to allocate invoices to the correct period during their fieldwork review of payables for the annual audit. This invoice in question was received after the auditor's fieldwork was completed for the previous year.

Sikich Response
The Beneficiary disagrees that the expense was not submitted in the correct period because the vendor invoice was received after the 2018 data period annual audit, and therefore included in the 2019 data period in the scope of this audit. Due to the Beneficiary being aware of the services that had been provided, but not billed, as of December 22, 2018, an estimated accrual should have been recorded in the data period when the services occurred to ensure costs are accurately reported for HC Program purposes. Therefore, our position on this finding remains unchanged.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.320(b) (2019)	*All eligible telecommunications carriers shall retain all records required to demonstrate to auditors that the support received was consistent with the universal service high-cost program rules. This documentation must be maintained for at least ten years from the receipt of funding. All such documents shall be made available upon request to the Commission and any of its Bureaus or Offices, the Administrator, and their respective auditors.*
1	FCC 15-133 – *All Universal Service High-Cost Support Recipients are Reminded that support Must be Used for its Intended Purpose*	*The Commission reminds all eligible telecommunications carriers (ETCs) that receive support from the Universal Service Fund's high-cost mechanisms (whether legacy high-cost program support or Connect America Fund support) of their obligations to use such support only for its intended purposes of maintaining and extending communications service to rural, high-cost areas of the nation.*
1	FCC 18-29 - *FCC Provides Additional $500 Million in Funding for Rural Broadband*, WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29, 33 FCC Rcd 2990, 2994, paras. 17-41 (2018).	*In this Report and Order, we adopt reforms to ensure that high-cost universal service support provided to eligible telecommunications carriers (ETCs) is used only for the provision, maintenance, and upgrading of facilities and services for which the high-cost support is intended pursuant to section 254(e) of the Act. We also adopt reforms to ensure that the investments and expenses that rate-of-return carriers recover through interstate rates are reasonable pursuant to section 201(b) of the Act. Our findings here do not prevent rate-of return carriers from incurring any particular investment or expense, but simply clarify the extent to which investments and expenses may be recovered through federal high-cost support and interstate rates. The rules we adopt are prospective, but the underlying obligations are preexisting and many of the rules we adopt today codify existing precedent. Our rules and the used and useful standard have long governed ETCs and rate-of-return carriers' behavior. Nothing we do in this Report and Order is intended to undermine our precedent.*
2	47 C.F.R. § 32.12(a) (2019)	*The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.*

Sikich CPA LLC

Summary of the High Cost Support Mechanism Beneficiary Audit Reports Released: February 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Entity Disagreement
Attachment D Logan Telephone Cooperative, Inc.	0	• Not applicable.	$8,714,088	$0	$0	N/A
Attachment E Brazos Telecommunications, Inc.	1	• No significant findings.	$377,514	($14,927)	$0	N
Attachment F Runestone Telephone Association	1	• No significant findings.	$209,032	$5,203	$5,203	N
Attachment G Niagara Telephone Company	2	• No significant findings.	$1,082,820	$37,032	$30,864	Partial
Attachment H Pine Telephone Company	0	• Not applicable.	$10,053,042	$0	$0	N/A
Total	**4**		**$20,436,496**	**$27,308**	**$36,067**	

* The Monetary Effect amount may result in negative amounts that appear to be an underpayment. However, USAC's policy is not to issue support in the case of an audit finding (i.e., FCC rule violation) when the calculation results in a net underpayment.

** The USAC Management Recovery Action may be less than the Monetary Effect when there are findings that have overlapping exceptions that exist in multiple findings.

Attachment D

HC2024LR023

Logan Telephone Cooperative, Inc

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

USAC Audit No. HC2024LR023

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EXECUTIVE SUMMARY

November 14, 2024

Mary J. Vanover
Chief Financial Officer (CFO)
Logan Telephone Cooperative, Inc.
10725 Bowling Green Rd
Auburn, KY 42206

Dear Mary J. Vanover

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Logan Telephone Company, Inc. (Beneficiary), study area code 260413 disbursements for the year ended December 31, 2023, using the regulations set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64, and 69, and orders governing the federal Universal Service High Cost Support Mechanism, as well as other program requirements (collectively, FCC Rules). Compliance with Federal Communication Commission (FCC) Rules is the responsibility of the Beneficiary. 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 did not disclose any areas 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 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 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

PURPOSE, SCOPE, BACKGROUND 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)	2020-2022	2023	$438,480
Connect America Fund (CAF) Broadband Loop Support (BLS)	2021	2023	$6,735,240
High Cost Loop (HCL)	2021	2023	$1,540,368
		Total	**$8,714,088**

BACKGROUND

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

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. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with based on the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

C. Line Count Records
AAD obtained and examined the Beneficiary's subscriber line count and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine whether the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

D. Fixed Assets
AAD obtained and examined the Beneficiary's continuing property records (CPRs) and related documentation to determine whether the Beneficiary reported accurate cable and wire facility equipment balances. AAD obtained and examined general ledger and work order details for select asset transactions and examined invoices to support the accuracy of the transaction. AAD also examined documentation

and conducted a virtual inventory to determine whether the Beneficiary categorized fixed assets to the proper accounts.

E. Operating Expenses

AAD obtained and examined tax reports, accrual schedules, and related documentation to determine whether the Beneficiary reported accurate tax expenses and deferred tax liabilities. AAD obtained and examined monthly depreciation and plant accumulated depreciation schedules to determine whether the Beneficiary reported accurate depreciation expenses and accumulated depreciation. AAD obtained and examined the allocation method and summary schedules to determine whether the Beneficiary reported accurate benefit and rent expenses. AAD obtained and examined general ledger details for select expenses related to affiliated entities' transactions and examined invoices to support the accuracy of the general support, corporate operations, and plant-specific and plant-non-specific expenses.

F. 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.

This concludes the report.

Attachment E

HC2024LR019

Brazos Telecommunications, Inc.

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

USAC Audit No. HC2024LR019

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EXECUTIVE SUMMARY

November 22, 2024

Ted Scobee, Assistant Manager
Brazos Telecommunications, Inc.
109 N Ave D
Olney, TX 76374

Dear Mr. Scobee:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Brazos Telecommunications, Inc. (Beneficiary), study area code 442041 disbursements for the year ended December 31, 2023, using the regulations set forth in 47 C.F.R. Parts 51, and 54 and orders governing the federal Universal Service High Cost Support Mechanism, as well as other program requirements (collectively, FCC Rules). Compliance with Federal Communication Commission (FCC) Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with 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 one detailed audit finding (Finding), as discussed in the Audit Result 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 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 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 CAF ICC	Recommended Recovery[1]
Finding: 47 C.F.R. § 51.917(d)(1)(v) - Inaccurate Interstate Switched Access Service Revenues. The Beneficiary reported revenue amounts for its Interstate Terminating Switched Access Services that did not agree to its billing reports and general ledger records for CAF ICC program years 2020 and 2021.	($14,927)	$0
Total	**($14,927)**	**$0**

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results for SAC 442041, 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.

	CAF ICC	USAC Recovery Action	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	($14,927)	($14,927)	NA
Mechanism Total	**($14,927)**	**($14,927)**	**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.

[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.

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 American Fund (CAF) Intercarrier Compensation (ICC)	2020 - 2022	2023	$377,514
Total			**$377,514**

BACKGROUND

The Beneficiary is a cost company eligible telecommunications carrier (ETC) that operates in Texas.

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. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

C. Line Count Records

AAD obtained and examined the Beneficiary's subscriber listings and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine whether the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

D. Revenues

AAD obtained and examined the general ledger 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)(1)(v) - Inaccurate Interstate Switched Access Service Revenues

CONDITION

AAD obtained and examined the Beneficiary's Interstate Switched Access Revenues from CAF ICC billing reports and general ledger to determine whether the Beneficiary reported accurately its Interstate Switched Access Service Revenues for High-Cost program purposes for Program Years 2020 – 2021 and 2021 - 2022. Per inspection of the Beneficiary's general ledger, AAD determined the revenues did not agree with the revenues reported in the CAF ICC filing. The differences are summarized below:

CAF ICC Program Years	Interstate Revenues from CAF ICC Billing Reports [A]	Interstate Revenues from General Ledger [B]	Overstatement / (Understatement) [C] = [A] – [B]
2020-2021	$111,511	$83,135	$28,376
2021-2022	$76,229	$74,747	$1,482
		Total	**$29,858**

Per the FCC Rules, the true-up revenues from an access service are equal to the projected demand minus the actual realized demand for that service, times the default transition rate for that service.[2] Further, if a Rate-of-Return Carrier receives payment for Interstate switched access services, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.[3] Thus, AAD used the general ledger as the basis for the actual realized demand for the Interstate revenue. Because the Beneficiary's supporting documentation (the general ledger) did not agree with the amount that was reported, AAD concludes that the Beneficiary did not report accurate Interstate Revenue for High-Cost program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report accurate Interstate Revenue for High-Cost purposes. The Beneficiary acknowledged that the revenues were not appropriately recorded.[4]

EFFECT

The monetary effect of this finding is an underpayment of $14,927. AAD calculated the monetary effect of this finding by subtracting the overstated amount from the total Interstate Switched Access Revenue amount reported by the Beneficiary in its CAF ICC filings for the respective periods. AAD summarized the results as follows:

[2] *See* 47 CFR § 51.917(b)(6) (2020).
[3] *See* 47 CFR § 51.917(d)(1)(v) (2020).
[4] See Beneficiary response to audit inquiry record #8, received August 13, 2024.

Fund Type	Monetary Effect[5]
CAF ICC	($14,927)

RECOMMENDATION

The Beneficiary must ensure it has an adequate system to report accurate data for High-Cost program purposes to demonstrate compliance with the FCC Rules. The Beneficiary must develop and implement policies, procedures, and processes that describe how the Beneficiary collects and retains documentation and establish additional controls to ensure that final revenues reported in its CAF ICC filings reconcile to the general ledger. 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

> We acknowledge the audit findings and agree with the recommendations. Moving forward, we will enhance our processes to ensure more accurate and consistent reconciliation between the general ledger and filings.

CRITERIA

47 C.F.R. § 51.917(d)(1)(v) - Inaccurate Interstate Switched Access Service Revenues

> If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.

47 CFR § 51.917(b)(6)(2020)

> ***True-up Revenues.*** True-up Revenues from an access service are equal to (projected demand minus actual realized demand for that service) times the default transition rate for that service specified by § 51.909. True-up Revenues from a non-access service are equal to (projected demand minus actual realized net demand for that service) times the default transition rate for that service specified by § 20.11(b) of this chapter or § 51.705. Realized demand is the demand for which payment has been received, or has been made, as appropriate, by the time the true-up is made.

This concludes the report.

[5] 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 2020 – 2021 CAF ICC program year was disbursed from July 2022 to June 2023 (based on data submitted in June 2022) and the true-up payment for the 2021 – 2022 CAF ICC program year was disbursed from July 2023 to July 2024 (based on data submitted in June 2023). The audit period includes an examination of disbursements paid in the calendar year 2023; therefore, the monetary effect of this Finding accounts for the last six months of the true-up payment that occurred from January to June 2023 which corresponds to the 2020– 2021 program year and the first six months of the true-up payment that occurred from July to December 2023 corresponds to the 2021 – 2022 program year.

Attachment F

HC2024LR002

Runestone Telephone Association

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

USAC Audit No. HC2024LR002

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EXECUTIVE SUMMARY

November 18, 2024

Angela Huseth, Accountant/HC Program Contact
Runestone Telephone Association
100 Runestone Drive
PO Box 336
Hoffman, MN 56339-0336

Dear Ms. Huseth:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Runestone Telephone Association, d/b/a Runestone Telecom Association, (Beneficiary), study area code 361475 disbursements for the year ended December 31, 2022, using the regulations set forth in 47 C.F.R. Parts 51 and 54, orders governing the federal Universal Service High Cost Support Mechanism, as well as other program requirements (collectively, FCC Rules). Compliance with Federal Communication Commission (FCC) Rules is the responsibility of the Beneficiary. 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 Result 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 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 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]	
	CAF ICC	Total
Finding: 47 C.F.R. § 51.917(d) - Inaccurate Revenue: Intrastate Switched Access Revenues. The Beneficiary incorrectly reported its Intrastate Transitional Access Services revenues on NECA's CAF ICC True-Up documentation for program years 2020 and 2021.	$5,203	$5,203
Total	**$5,203**	**$5,203**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery from the Beneficiary for SAC 361475 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 the 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 Commitment Adjustment and/or Recovery
Finding #1	$5,203	$5,203	N/A
Total	**$5,203**	**$5,203**	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) Broadband Loop Support (BLS)	2019 - 2021	2022	$298[2]
Connect America Fund (CAF) Intercarrier Compensation (ICC)	2019-2021	2022	$208,734
Total			**$209,032**

BACKGROUND

The Beneficiary is an average schedule eligible telecommunications carrier (ETC) that operates in Minnesota.

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. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with based on the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

C. Line Count Records

AAD obtained and examined the Beneficiary's subscriber listings and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine whether the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

D. Revenues

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

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[2] Due to de minimis amount of BLS disbursements, testing was not performed. Beneficiary transitioned to Alternative Connect America Cost Model (ACAM) during 2021.

DETAILED AUDIT FINDING

FINDING: 47 C.F.R. § 51.917(d) Inaccurate Revenue: Transitional Intrastate Access Revenues

CONDITION

AAD obtained and examined documentation, including the Beneficiary's billing reports, general ledger, and CAF ICC High Cost Program filings, to determine whether the Beneficiary accurately reported transitional intrastate access service revenues for High Cost Program reporting purposes per the FCC Rules.[3] AAD determined that the Beneficiary did not report accurate transitional intrastate access service revenues due to errors with a system conversion.[4] Thus, transitional intrastate access service revenue was incorrectly reported as noted below:

Year	Per General Ledger A	Reported to NECA B	Variance Over-reported/ (Under-reported) C=B-A
2020	$60,545	$44,839	($15,706)
2021	$47,319	$52,620	$5,301
Total	**$107,864**	**$97,459**	**($10,405)**

FCC Rules describe the necessary calculations for allowable recovery amount for Rate-of-Return Carriers, based on the year.[5] Additionally, if a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.[6] As the Beneficiary's supporting documentation (e.g., billing reports and general ledger) did not agree with the revenue amounts reported, AAD concludes that the Beneficiary did not report accurate revenues for transitional intrastate access service for CAF ICC High Cost Program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report accurate transitional intrastate access service revenues for High Cost program purposes. The variances exist due to a system conversion resulting in several months of access minutes of usage (MOU) not being originally billed, resulting in the carrier back billing the Beneficiary in April and May 2020. In addition, the Beneficiary identified duplicate billing records in the April 2020 CABs filings, resulting in a reversal of the duplicate records in June 2020. In both instances, the Beneficiary did not reflect these adjusted payments in

[3] *See* 47 C.F.R. § 51.917(d)
[4] Response to the Audit Inquiry Record #6, July 23, 2024.
[5] *See* 47 C.F.R. § 51.917(d)
[6] *Id*. at (v).

the NECA CAF ICC True-Up documentation.[7] During system conversions, Beneficiaries should have controls in place to reconcile amounts transferred between systems to ensure that financials remain correctly stated and all transactions are appropriately migrated to the new system.

EFFECT

AAD calculated the monetary effect of this finding by adding $15,706 and subtracting $5,301 from the Beneficiary's transitional intrastate access service revenue reported for CAF ICC Program Year July 2019 – June 2020, and Program Year July 2020 – June 2021, respectively, in order to recalculate an updated true-up value. AAD summarized the impact of this finding relative to the disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022, in the table below.

Support Type	Monetary Effect and Recommended Recovery[8]
CAF ICC	$5,203

RECOMMENDATION

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

The Beneficiary must ensure that an adequate system is in place to report data for CAF ICC purposes. The Beneficiary must implement and perform a thorough and timely review process to reconcile revenues before being reported for High Cost 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[9]

> The Beneficiary stated the issue was due to the lag of collections of the billed records resulting from disputes from carriers over the CAF ICC True-up periods resulting in the reconciliation error. The Beneficiary has multiple processes in place to comply with the CAF ICC reporting rules and acknowledges this is an extremely rare and complex situation due to a third party tandem carrier's CABS record system conversion resulting in multiple (sic)/unrelated record errors over multiple time periods. It is expected that this is a one-off event that will not reoccur.

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[7] *Id.*

[8] *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 2020 – 2021 CAF ICC program year was disbursed from July 2019 to June 2021 (based on data submitted in June 2019) and the true-up payment for the 2019 – 2020 CAF ICC program year was disbursed from July 2021 to July 2022 (based on data submitted in June 2021). The audit period includes an examination of disbursements paid in the calendar year 2022; therefore, the monetary effect of this Finding accounts for the last six months of the true-up payment that occurred from January to June 2019 which corresponds to the 2019 – 2020 program year and the first six months of the true-up payment that occurred from July to December 2020 corresponds to the 2020 – 2021 program year.*

[9] *The Beneficiary provided their response to AAD as Inquiry # 7 on November 18, 2024.*

CRITERIA

47 C.F.R. § 51.917(d)

> If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.

This concludes the report.

Attachment G

HC2024LR007

Niagara Telephone Company

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

USAC Audit No. HC2024LR007

TABLE OF CONTENTS

EXECUTIVE SUMMARY

October 23, 2024

Ronald VanNuland
Chief Financial Officer (CFO)
Niagara Telephone Company
450 Security Blvd
Green Bay, WI 54313

Dear Ronald VanNuland:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Niagara Telephone Company (Beneficiary), study area code 330920 disbursements for the year ended December 31, 2022, using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64, and 69, as well as other program requirements (collectively, FCC Rules). Compliance with Federal Communication Commission (FCC) Rules is the responsibility of the Beneficiary. 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 two detailed audit findings (Findings), 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 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
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 RESULTS AND RECOVERY ACTION

Audit Results	HCL A	CAF BLS B	Total Monetary Effect A + B = C	Overlap[1] D	Total Recommended Recovery C - D
Finding #1: 47 C.F.R. § 54.320 (b) (2019) – Inadequate Documentation: Expense and Affiliate Allocation Methodology. The Beneficiary did not provide sufficient documentation to support one expense transaction sample and six affiliate transaction samples.	$6,168[2]	$24,696	$30,864	$0	$30,864
Finding #2: 47 C.F.R. § 64.901(a) (2019) – Inaccurate Reporting: Operating Taxes. The Beneficiary omitted a year-end tax adjustment for operating taxes; thus, reporting an incorrect year-end account balance for operating taxes in its High Cost Loop data filing.	$6,168[3]	$0	$6,168	$6,168	$0
Total	**$12,336**	**$24,696**	**$37,032**	**$6,168**	**$30,864**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 330920 and will seek recovery from the Beneficiary for the High Cost Program support in the 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 the correct application of its procedures to ensure compliance with FCC Rules and Orders.

Regarding Finding #1, USAC management requires the Beneficiary to be placed on a Corrective Action Plan (CAP) to address lack of documentation and data retention procedures. As part of the CAP, the Beneficiary must report to High Cost management, within 60 days of the date of the Recovery Letter (to be issued by USAC's High Cost Division), how it plans to improve its documentation processes.

[1] If the Beneficiary is successful on appeal, USAC will discontinue recovery efforts for the finding(s) that were resolved by the appeal decision. If there is overlapping recovery (i.e., recovery that is included in two or more findings), the overlapping recovery will be recovered based on the finding(s) that were not resolved by the appeal decision.

[2] The monetary impact of this finding for HCL absorbs the amount disbursed.

[3] This finding overlaps Finding #1. Finding #1 absorbs the amount disbursed.

	HCL (A)	CAF BLS (B)	Total Monetary Effect A + B = C	Overlap D	USAC Recovery Action C-D	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	$6,168	$24,696	$30,864	$0	$30,864	N/A
Finding #2	$6,168	$0	$6,168	$6,168	$0	N/A
Mechanism Total	**$12,336**	**$24,696**	**$37,032**	**$6,618**	**$30,864**	**N/A**

PURPOSE, SCOPE, BACKGROUND 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) Broadband Loop Support (BLS)	2020	2022	$750,342
Connect America Fund (CAF) Intercarrier Compensation (ICC)	2019-2021	2022	$326,310
High Cost Loop (HCL)	2020	2022	$6,168
Total			**$1,082,820**

BACKGROUND

The Beneficiary is a cost-based eligible telecommunications carrier (ETC) that operates in Wisconsin. The Beneficiary is an affiliate of Northeast Communications of Wisconsin (NECW).

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. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with based on the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

C. Line Count Records

AAD obtained and examined the Beneficiary's subscriber line count and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine whether the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

D. Fixed Assets

AAD obtained and examined the Beneficiary's continuing property records (CPRs) and related documentation to determine whether the Beneficiary reported accurate central office switching equipment balances as well as cable and wire facility equipment balances. AAD also examined documentation and conducted a virtual inventory to determine whether the Beneficiary categorized fixed assets to the proper accounts.

E. Operating Expenses

AAD obtained and examined tax reports, accrual schedules, and related documentation to determine whether the Beneficiary reported accurate tax expenses and deferred tax liabilities. AAD obtained and examined monthly depreciation and plant accumulated depreciation schedules to determine whether the Beneficiary reported accurate depreciation expenses and accumulated depreciation. AAD obtained and examined the allocation method and summary schedules to determine whether the Beneficiary reported accurate benefit and rent expenses. AAD obtained and examined general ledger details for select expenses and examined invoices to support the existence of the general support, corporate operations, plant specific, and plant non-specific expenses.

F. 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 FINDINGS

Finding #1: 47 C.F.R. § 54.320(b) (2019) – Inadequate Documentation: Expense and Affiliate Allocation Methodology

CONDITION

AAD obtained and examined supporting documentation for five expense transaction samples, and 25 affiliate transaction samples to determine (1) whether the Beneficiary reported accurate amounts for High Cost Program purposes and (2) whether allocations were consistent with the Beneficiary's allocation methodology and based on cost-causative factors.[4] AAD determined that inadequate documentation was provided for one expense sample and six affiliate samples.

Expenses

The Beneficiary did not provide underlying support (i.e., supplemental schedule, lease agreement, or other documentation, etc.) for one circuit equipment expense[5] sample regarding recurring leased DS1 services. The Beneficiary stated that the leased DS1 services were paid to third-party vendors (i.e., lease not related to an affiliated transaction) per documentation that predated the Beneficiary's acquisition to its holding company, Northeast Communications of Wisconsin (NECW).[6] Therefore, the Beneficiary was unable to provide adequate documentation to support the circuit equipment expenses totaling $34,838 as of December 31, 2020.

Corporate Allocation Factor

Six of the 25 affiliate transaction samples were for general and administrative expenses[7] (i.e., Accounting, General & Administrative, Public Affairs, Human Resources, Information Technology and Operations, and Corporate Building) based on a corporate allocation factor of 5 percent, which is based on the Beneficiary's portion of total operating expenses from all affiliate companies. The Beneficiary could only provide documentation to support a corporate allocation of 2.4 percent. The Beneficiary stated the percent increase was estimated, but the Beneficiary was unable to provide the underlying source documentation to support its estimate.[8] Therefore, the Beneficiary was unable to support $128,585 of general and administrative expenses as of December 31, 2020.

FCC rules require beneficiaries to report accurate amounts and accurate allocations of regulated and nonregulated transactions based on cost-causative factors.[9] Because the Beneficiary did not provide sufficient documentation to support one expense transaction and six affiliate transactions sampled, AAD concludes that these transactions are not reported accurately for High Cost filing purposes.

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[4] *See* 47 C.F.R. §64.901(b)(3) (2019).
[5] *See* 47 C.F.R. §§ 36.2 and 32.6232 (2019).
[6] *See* Beneficiary response to audit inquiries, received Apr. 8, 2024. The Beneficiary indicated that it was unable to find the lease agreement. The Beneficiary indicated that it changed providers in 2020 and has a lease agreement in place with the new provider and waived the opportunity to obtain a copy from the previous providers.
[7] *See* 47 C.F.R. §.6720 (2019).
[8] Beneficiary response from conference call held Apr. 4, 2024.
[9] *Id.*

CAUSE

The Beneficiary did not have adequate documentation or data retention procedures to report the correct amount for High Cost program purposes. The Beneficiary stated that the lease agreement predated the Beneficiary's acquisition by NECW for the DS1 services and the agreement could not be found. Further, it may have been discarded since the Beneficiary changed SS7 providers since 2020. Additionally, the Beneficiary informed AAD that the corporate allocation factor used for the general and administrative expenses was increased since the Beneficiary is a Cost Company, which requires more administration than the Average Schedule Companies, and is the furthest distance from headquarters, increasing travel and supervision costs.[10]

EFFECT

AAD calculated the monetary effect of this finding by subtracting the value of the unsupported amounts reported by the Beneficiary in its respective account in its High Cost filings. AAD summarized the results below:

Support Type	Monetary Effect and Recommended Recovery
HCL	$6,168
CAF BLS	$24,696
Total	**$30,864**

RECOMMENDATION

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

The Beneficiary must implement policies and procedures to create and maintain supporting documentation that demonstrates compliance with FCC Rules by substantiating the amounts reported for High Cost Program purposes. The Beneficiary must develop and implement policies, procedures and processes to ensure it has an adequate system in place for preparing, reviewing, and approving data reported to ensure compliance with applicable FCC Rules, including its calculation of the corporate allocation factor and the allocation methodology used. More information about documentation and reporting requirements may be found on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

[10] *See* Beneficiary response to the audit results summary, received Jun. 12, 2024.

BENEFICIARY RESPONSE

Niagara Telephone Company maintains that its leased DS1 services for SS7 were legitimate expenses. Though Niagara was unable to locate source documents from the vendor, as the vendor had changed since the time of the audit period and may have been discarded, Niagara did have supporting documents, its audited general ledger detail, identifying the appropriate expenses.

Niagara Telephone Company routinely conducts assessments of our corporate allocation for suitability. As part of our commitment to maintain compliance and align our processes with industry standards, we undertake a comprehensive review of our corporate allocation methodology. We have developed a calculation that utilizes investment, expenses, and customer counts across all entities to estimate the appropriate amount of corporate general and administrative expenses to the appropriate entity. As not all estimates can be based on calculations alone, we utilize subjective data from our team to estimate additional labor time allocated to our entities based on regulatory needs, increased travel, and increased supervision costs. We maintain that the estimate used in our calculation accurately reflects the operations of the company. Our objective is to ensure that our practices are fully consistent with the applicable rules set forth by the Federal Communications Commission (FCC).

AAD RESPONSE

In its response, the Beneficiary referred to supporting documents for the leased DS1 services expense transaction sampled. Although the Beneficiary provided the general ledger detail, the Beneficiary failed to provide the underlying source documentation (i.e., lease agreement or other documentation) to support the transactions included for HC purposes.

In its response, the Beneficiary referred to supporting documents for the corporate allocation factor supported 2.4 percent and not 5 percent. The increase in this factor was not supported by documentation or data analysis. The Beneficiary refers to “subjective data” but did not provide documentation to support this data or its underlying basis for the determination of estimated “additional labor time allocated to [its] entities based on regulatory needs, increased travel, and increased supervision costs.”

Therefore, for the reasons stated above, AAD’s position on this finding remains unchanged.

Finding #2: 47 C.F.R. § 64.901(a) (2019) – Inaccurate Reporting: Operating Taxes

CONDITION

AAD obtained and examined the Beneficiary’s supporting documentation for its Part 64 cost study information as of December 31, 2020 used in its High Cost data filings to determine whether the Beneficiary’s cost study amounts were accurately calculated for High Cost program purposes.[11] AAD determined that the Beneficiary

[11] *See* 47 C.F.R. §64.901(a) (2019).

omitted a year-end tax adjustment for operating taxes. Thus, the Beneficiary reported an incorrect year-end account balance[12] for operating taxes in its High Cost Loop data filing.[13] AAD summarized the differences in the Beneficiary's year-end account balances before cost study adjustments.

Account Number[14]	Description	Year End Balance per Trial Balance	Original Reported Cost Study Balance Before Adjustments	Variance
7220	Operating Federal Income Taxes	$(90,939)	$80,493	$(171,432)
7230	Operating State & Local Income Taxes	$(34,517)	$33,967	$(68,484)
7240	Operating Other Taxes	$93,977	$93,977	$0
	Total Operating Taxes (Data Line 650)	**$(31,479)**	**$208,437**	**$(239,916)**

Because the Beneficiary did not accurately report its operating taxes as of the year-end account balance, AAD concludes that the Beneficiary did not report the correct amount for High Cost program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to determine whether it reports the correct amounts for its High Cost Loop data filing. The Beneficiary informed AAD that the trial balance provided to the cost consultant omitted the year-end income tax adjustment entry; thus, an incorrect account balance was used when performing the Part 64 cost study for operating taxes.[15]

EFFECT

AAD calculated the monetary effect of this finding by incorporating the value of the year-end tax adjustment in the amount reported by the Beneficiary in its respective account in its High Cost Loop filing. AAD summarized the results below:

Support Type	Monetary Effect A	Overlap[16] B	Recommended Recovery C
HCL	$6,168	$6,168	$0

RECOMMENDATION

AAD recommends that USAC Management seek recovery from the Beneficiary of the amount identified in the Effect section above.

The Beneficiary must implement an adequate system to properly, collect, monitor, and report the correct amounts for High Cost program purposes. The Beneficiary must develop and implement policies, procedures, and processes that describe how the Beneficiary will ensure it includes and uses the proper account balances are submitted for High Cost program purposes. In addition, the Beneficiary can learn more about

[12] *See* 47 C.F.R. §54.1305(f) (2019).
[13] This finding does not impact CAF BLS since operating taxes are determined differently per 47 C.F.R. §36.412 (2019).
[14] *See* 47 C.F.R. §§ 32.7220; 32.7230; and 32.7240 (2019).
[15] Beneficiary responses via email and conference call dated June 3, 2024 and June 12, 2024, respectively.
[16] The monetary impact of this finding for HCL absorbs the amount disbursed that was already noted in error in Finding 1.

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

Niagara Telephone Company strives for excellence in internal and external reporting. We will continue to improve our processes and procedures to ensure that correct data is provided for all future filings.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.320 (b) (2019)	All eligible telecommunications carriers shall retain all records required to demonstrate to auditors that the support received was consistent with the universal service high-cost program rules. This documentation must be maintained for at least ten years from the receipt of funding. All such documents shall be made available upon request to the Commission and any of its Bureaus or Offices, the Administrator, and their respective auditors.
#1	47 C.F.R. § 64.901 (b)(3) (2019)	(3) Costs which cannot be directly assigned to either regulated or nonregulated activities will be described as common costs. Common costs shall be grouped into homogeneous cost categories designed to facilitate the proper allocation of costs between a carrier's regulated and nonregulated activities. Each cost category shall be allocated between regulated and nonregulated activities in accordance with the following hierarchy: (i) Whenever possible, common cost categories are to be allocated based upon direct analysis of the origin of the cost themselves. (ii) When direct analysis is not possible, common cost categories shall be allocated based upon an indirect, cost causative linkage to another cost category (or group of cost categories) for which a direct assignment or allocation is available. (iii) When neither direct nor indirect measures of cost allocation can be found, the cost category shall be allocated based upon a general allocator computed by using the ratio of all expenses directly assigned or attributed to regulated and nonregulated activities.
#1	47 C.F.R. § 36.2 (d) (2019)	(d) Property rented to or from non-affiliates is usually to be included as used property of the owning company with the associated revenues and expenses treated consistently. In the event the amount is substantial, the property involved and the revenues and expenses associated therewith may be excluded from or included in the telecommunications operations of the company. When required, the cost of property rented to or from non-affiliates is determined using procedures that are consistent with the procedures for the allocation of costs among the operations.
#1	47 C.F.R. § 32.6232 (2019)	This account shall include expenses associated with circuit equipment. Circuit equipment expenses shall be maintained in the following subaccounts: 6232.1 Electronic, 6232.2 Optical. (b) This subaccount 6232.1 Electronic shall include expenses associated with electronic circuit equipment. (c) This subaccount 6232.2 Optical shall include expenses associated with optical circuit equipment.
#1	47 C.F.R. § 32.6720 (2019)	This account shall include costs incurred in the provision of general and administrative services as follows: (a) Formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

Finding	Criteria	Description
		(b) Developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis. (c) Providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, separations, settlements and corollary cost accounting), noncustomer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include banking operations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services. (d) Maintaining relations with government, regulators, other companies and the general public. This includes: (1) Reviewing existing or pending legislation (see also Account 7300, Nonoperating income and expense, for lobbying expenses); (2) Preparing and presenting information for regulatory purposes, including tariff and service cost filings, and obtaining radio licenses and construction permits; (3) Performing public relations and non-product-related corporate image advertising activities; (4) Administering relations, including negotiating contracts, with telecommunications companies and other utilities, businesses, and industries. This excludes sales contracts (see also Account 6611, Product management and sales); and (5) Administering investor relations. (e) Performing personnel administration activities. This includes: (1) Equal Employment Opportunity and Affirmative Action Programs; (2) Employee data for forecasting, planning and reporting; (3) General employment services; (4) Occupational medical services; (5) Job analysis and salary programs; (6) Labor relations activities; (7) Personnel development and staffing services, including counseling, career planning, promotion and transfer programs; (8) Personnel policy development; (9) Employee communications; (10) Benefit administration; (11) Employee activity programs; (12) Employee safety programs; and (13) Nontechnical training course development and presentation. (f) Planning and maintaining application systems and databases for general purpose computers. (g) Providing legal services: This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters,

Finding	Criteria	Description
		preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses. (h) Procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims. (i) Making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use. This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements. (j) Performing general administrative activities not directly charged to the user, and not provided in paragraphs (a) through (i) of this section. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.
#2	47 C.F.R. § 64.901 (a) (2019)	Carriers required to separate their regulated costs from nonregulated costs shall use the attributable cost method of cost allocation for such purpose.
#2	47 C.F.R. § 54.1305 (f) (2019)	Unseparated corporate operations expenses, operating taxes, and the benefits and rent proportions of operating expenses. The amount for each of these categories of expense shall be the actual amount for that expense for the calendar year preceding each July 31st filing. The amount for each category of expense listed shall be stated separately.
#2	47 C.F.R. § 36.412 (2019)	(a) For apportionment purposes, the expenses in this account are segregated into two groups as follows: (1) Operating Federal, State and local income taxes and (2) all other operating taxes. (b) Operating Federal, State and local income taxes are apportioned among the operations on the basis of the approximate net taxable income (positive or negative) applicable to each of the operations. The approximate net taxable income from each of the operations is the summation of the following amounts apportioned to each operation by means of the procedures set forth in this Manual: (1) Operating revenues, (2) Less operating expenses,

Finding	Criteria	Description
		(3) Less operating taxes except the net income tax being apportioned and except any other tax not treated as a deductible item in the determination of taxable net income for this purpose. (4) Less operating fixed charges. (i) The amount of fixed charges attributable to the operations is obtained by subtracting the tax component (positive or negative) attributable to other than the operating fixed charges, i.e., fixed charges on non-operating investments are that proportion of total fixed charges which non-operating net investments are of total operating and non-operating net investments. (ii) Operating fixed charges including interest on Rural Telephone Bank Stock are apportioned among the operations on the basis of the separation of the cost of telephone plant less appropriate reserves. (c) Other operating taxes should be directly assigned to the appropriate jurisdiction where possible, e.g., Local Gross Receipts may be directly identified as applicable to one jurisdiction. Where direct assignment is not feasible, these expenses should be apportioned among the operations on the basis of the separation of the cost of Telecommunications Plant in Service—Account 2001.
#2	47 C.F.R. § 32.7220 (2019)	(a) This account shall be charged and Account 4070, Income Taxes-Accrued, shall be credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged. (b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available. (c) Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to income as directed by this Commission. (d) No entries shall be made to this account to reflect inter-period tax allocations.
#2	47 C.F.R. § 32.7230 (2019)	(a) This account shall be charged and Account 4070, Income Taxes—Accrued, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged. (b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available. (c) No entries shall be made to this account to reflect inter-period tax allocations.
#2	47 C.F.R. § 32.7240 (2019)	(a) This account shall be charged and Account 4080, Other Taxes—Accrued, shall be credited for all taxes, other than Federal, state and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged. (b) Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.

Finding	Criteria	Description
		(c) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable. (d) Interest on tax assessments which are not paid when due shall be included in Account 7500, Interest and related items. (e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7300, Nonoperating income and expense. (f) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of the items to which the taxes relate. (g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owner to Account 5200, Miscellaneous revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

This concludes the report.

Attachment H

HC2024LR010

Pine Telephone Company

Audit ID: HC2024LR010

Universal Service Administrative Company – High Cost Program

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

Prepared for: Universal Service Administrative Company ("USAC")

As of Date: January 31, 2025

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

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KPMG

KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

January 31, 2025

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 limited review performance audit objectives relative to Pine Telephone Company ("Pine Tel" or "Beneficiary") Study Area Code ("SAC") No. 432017 for disbursements made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2022. Our work was performed from February 9, 2024 to January 31, 2025.

We conducted this limited review 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 limited review 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 limited review performance audit was to evaluate the Beneficiary's compliance with select Federal Communications Commission ("FCC") rules and regulations and orders related to the High Cost Program, including those set forth in 47 C.F.R. ("Code of Federal Regulations") Parts 32, 36, 51, 54, 64 and 69, (collectively "FCC Rules") relative to disbursements, of $10,053,042, made from the High Cost Program during the twelve-month period ended December 31, 2022.

Compliance with FCC Rules is the responsibility of the Beneficiary who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the Beneficiary's compliance with the FCC Rules based on our audit objective.

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.

KPMG noted one other matter that is not significant within the context of the audit objective but warrants the attention of those charged with governance. An "other matter" is a condition that does not necessarily constitute a rule violation but warrants the Beneficiary and USAC management's attention. We reported this other matter to the Beneficiary's management in a separate letter dated January 31, 2025.

This report is intended solely for the use of the USAC, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes. This report is not confidential and may be released by USAC and the FCC.

Sincerely,

KPMG LLP

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

AUDIT RESULTS AND RECOVERY ACTION

KPMG's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the USF, which includes four support mechanisms: High Cost, Lifeline, Rural Health Care, and E-Rate. With these four support mechanisms, USAC is dedicated to achieving universal service. This important principle suggests that all Americans deserve accessible, affordable and pervasive telephone and internet services.

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. High Cost Loop ("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. Safety Valve Support ("SVS"): SVS support is available to rural carriers that acquire high cost exchanges and make substantial post-transaction investments to enhance network infrastructure.
2. Connect America Fund Intercarrier Compensation ("CAF ICC"): CAF ICC support is available to Incumbent Local Exchange Carriers ("ILEC") to recover revenue that is not covered by the Access Recovery Charge ("ARC") to the end user.
3. Connect America Fund Broadband Loop Support ("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 Subscriber Line Charge ("SLC") caps do not permit them to recover their common line revenue requirements.

Beneficiary Overview

Pine Telephone Company (SAC No. 432017), located in Oklahoma, serves over 2,500 customers. It provides local telephone service, internet service and access to long distance telephone service through its local exchange network. Pine Telephone Company has common ownership with Broken Bow Television Co. Inc, Pine Long Distance LLC, and Pine Rural Television Cable Co. Inc. Pine Tel's subsidiaries include Pine Cellular Phones Inc., Pine Communications LLC, and Pine Land Management.

The following chart summarizes the High Cost program support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2022 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF BLS	$7,345,404
CAF ICC	$1,425,870
HCL	$1,281,768
Total	**$10,053,042**

Source: USAC

The Beneficiary received High Cost support during the twelve-month period ended December 31, 2022, based on the following annual financial and operational data submitted by the Beneficiary to National Exchange Carrier Associations ("NECA") and USAC:

- 2021-1 HCL Form(s), based on the twelve-month periods ended December 31, 2020, and
- 2021 FCC Form 509, based on calendar year 2020 data, and
- 2021 CAF ICC Form, based on program year 2020 data

OBJECTIVE

The audit objective of this limited review performance audit was to evaluate the Beneficiary's compliance with select FCC rules and regulations and orders related to the High Cost Program, including those set forth in 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 $10,053,042 made from the High Cost Program during the twelve-month period ended December 31, 2022.

SCOPE

The scope of our work relates to the High Cost Program forms or other correspondence filed by the Beneficiary for the disbursements made from the High Cost Program during the twelve-month period ended December 31, 2022, 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, 2022 related to SAC noted in the Beneficiary overview section above.[1]

Our performance audit includes the following areas, as defined by the FCC for High Cost limited review performance audits:[2]

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

---

[1] 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 deployment obligations.

[2] 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.

13. Revenue Requirement

PROCEDURES

KPMG performed the following procedures to address the limited review performance audit objective:

1. **Materiality Analysis**

   For applicable High Cost Program forms, we obtained the forms submitted for the period ended December 31, 2020, 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 2020 financial statements and reconciled to the General Ledger ("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")[3] methodology to select 29 asset samples from material accounts identified in the relevant High Cost Program forms. We made asset selections from Continuing Property Record ("CPR") details, and material accounts included COE and C&WF 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; and validated the physical existence of selected assets.

4. **Expenses**

   KPMG utilized a MUS methodology to select 29 expense samples including payroll from material operating expense accounts identified in the relevant High Cost Program forms. We agreed expense amounts to the supporting documentation, such as invoices, and we reviewed for proper Part 32 account coding and categorization by expense type and nature of the costs incurred (regulated versus non-regulated activities). We also obtained and examined monthly depreciation expense and accumulated depreciation schedules to assess whether the Beneficiary reported accurate depreciation expenses and accumulated depreciation.

5. **High Cost Program filings**

   For the relevant High Cost Program forms (HCL, CAF BLS and CAF ICC) completeness of reported accounts was assessed via reconciliations to the audited financial statements via the 'Reconciliation' process described above. Irreconcilable items were discussed with the Beneficiary and support obtained to resolve 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. We assessed whether COE amounts reconciled to studies including reviewing power and common allocations, Part 36 inputs and 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

[3] Monetary unit sampling (MUS) is a random-based sampling approach.

amounts reconciled to studies and whether amounts agreed to the HCL form data and 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 2020. 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 determined the Beneficiary is considered a C Corporation for tax filling purposes and reviewed the federal and state tax filings for 2020. KPMG reviewed the tax provision and deferred income tax provision calculations, including supporting documentation, for reasonableness and developed an expectation of the effective tax rate. Additionally, we reviewed the Part 64 apportionment of operating tax account balances and evaluated the reasonableness of cost allocation methods.

10. **Part 64 Cost Allocations**

    KPMG reviewed the Beneficiary's cost apportionment methodology and performed procedures to evaluate the apportionment factors which included 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 (Building & Tower Leases, Cellular Phone Bill) that occurred during 2020. These procedures included determining the population of affiliate transactions by reviewing the audited financial statements, trial balance, and intercompany accounts, and through inquiry, and utilizing attribute sampling to select a sample of the different types of affiliate transactions for testing. For the eight samples selected, 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 procedures identified no audit findings.

CONCLUSION

KPMG's evaluation of the Beneficiary's compliance with select FCC rules and regulations and orders and related to the High Cost Program, including those set forth in 47 C.F.R. § 32, 36, 51, 54, 64 and 69 relevant to the disbursements on High Cost forms made from the High Cost Program for the twelve-month period ended December 31, 2022 identified no audit findings.

** This concludes the audit report.**

Summary of the High Cost Support Mechanism Beneficiary Audit Report Released: March 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment I Douglas Electric (Douglas Services), Inc.	2	• No significant findings.	$1,892,914	$0	$0	N/A
Total	**2**		**$1,892,914**	**$0**	**$0**	

Attachment I

HC2022MO040

Universal Service Administrative Co.

Douglas Electric (Douglas Services), Inc.

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

USAC Audit No. HC2022MO040

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EXECUTIVE SUMMARY

January 9, 2025

Todd Way, Manager
Douglas Electric Cooperative (d/b/a Douglas Services, Inc.)
2350 NW Aviation Drive
Roseburg, OR 97470
541-784-7692

Dear Mr. Way:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Douglas Electric, Inc. (formerly known as Douglas Services, Inc) (Beneficiary), for the study area codes (SAC) and disbursements described in the Purpose, Scope and Procedures section, for the periods July 1, 2015 through June 30, 2023 for Connect America Fund (CAF) Rural Broadband Experiments (RBE) support, using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. §§ 54.309-310, as well as other program requirements (collectively, FCC Rules). The Beneficiary is responsible for complying with FCC rules. AAD is responsible for determining the Beneficiary's compliance with FCC Rules.

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 the 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), 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 defined deployment obligations under the program and 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 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 RESULTS AND RECOVERY ACTION

Audit Results	RBE	Monetary Effect and Recommended Recovery
Finding #1: RBE Order (DA 14-98) - Locations Did Not Meet Public Interest Obligations. The Beneficiary failed to comply with the location eligibility requirements for three out of 65 units selected.	$0	$0
Finding #2: FCC DA 16-1363 (2016) – Inaccurate Location Information Reported on the HUBB. The Beneficiary reported incorrect addresses for 45 locations in the HUBB out of 65 units selected.	$0	$0
Total	**$0**	**$0**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 536129, 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.

	RBE	Total Monetary Effect	USAC Recovery Action	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	$0	$0	$0	N/A
Finding #2	$0	$0	$0	N/A
Mechanism Total	$0	$0	$0	N/A

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with FCC Rules, to assess the accuracy of the underlying High Cost Universal Broadband (HUBB) portal submission data used to confirm deployment obligations, and to conduct a site visit to validate performance obligations for CAF RBE support.

SCOPE

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

State	SAC	RBE Support as of June 30, 2023	No of Locations Reported and Certified in the HUBB as of 3/1/2022[1]	No of Units Reported and Certified in the HUBB as of 3/1/2022[2]	No of Units Tested
Oregon	536129	$1,892,914	2,490	2,502	65

BACKGROUND

The Beneficiary is an eligible telecommunications carrier (ETC) that operates in the states identified in the Scope table above.

PROCEDURES

AAD performed the following procedures:

A. Deployment Milestone Requirements
AAD compared the number of units the Beneficiary reported and certified in the High Cost Universal HUBB portal at the last milestone to determine whether the Beneficiary satisfied the requirements based on the FCC's support authorization letter.[3]

B. Documentation Review, Site Visit, and Sample Selection – Use of Specialist
AAD contracted the services of Econometrica Inc., a company that provides economic and analytical services, to select a statistically valid sample of locations for testing and to extrapolate the results of these locations to the population not tested.

[1] Carriers receiving RBE were required to report their location deployments in the HUBB by March 1, 2022.
[2] *Id.*
[3] *Rural Broadband Experiment Support Authorized For Winning Bids Submitted by Barc Electric Cooperative, Douglas Services, Inc., and Northeast Rural Service, Inc.*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 14126 (2015).

AAD also contracted the services of a professional engineering company, Elite Systems, LLC, to examine evidence of the Beneficiary's broadband deployments and the equipment used to provide the minimum upload and download speeds and latency, to test the performance obligations, to validate addresses and geographic coordinates, and to test for compliance with other FCC requirements.

C. Location Eligibility, Address and Coordinates

AAD examined the locations[4] the Beneficiary reported and certified in the HUBB portal to determine whether the locations qualify as eligible for support by testing the accuracy of the geocodes for each sampled location. AAD used mapping software and other data analysis techniques to determine whether those geocodes existed within the carrier's eligible census block. In addition, AAD assessed whether the locations meet the FCC deployment criteria, and that service can be provided within 10 business days upon request.[5] AAD also assessed whether the Beneficiary accurately reported and certified eligible locations in the HUBB portal by examining the correct count of housing units, unique latitude and longitude coordinates, and the appearance of the reported structures.[6]

D. Minimum Deployment Requirements

AAD examined the locations the Beneficiary reported and certified in the HUBB portal to determine whether the Beneficiary deployed requisite services to meet the minimum deployment obligations. Specifically, we confirmed whether the location was in an eligible census block, whether the Beneficiary met the public interest obligations for offering broadband service (at least specific Mbps downstream/Mbps upstream per line of credit) with latency suitable for real-time applications (including VoIP), whether the broadband service's usage capacity was reasonably comparable to offerings in urban areas, and whether rates were reasonably comparable to offerings in urban areas.[7]

E. Site Visits

AAD performed a physical inspection of each sampled location, including corroborating the geocodes of the physical location, and corroborating that service was operational or could become operational within 10 business days. AAD, through Elite Systems, also conducted engineering tests to measure the download speed, upload speed, and latency, and determined whether the results met the performance requirements.

F. Performance Measures Module Comparison

AAD examined the results of the physical site visits and, as applicable, compared them to results the Beneficiary reported and certified in the High Cost Performance Measures Module (PMM) to determine if a discrepancy existed.

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[4] A location is one pair of geographic coordinates. A location may contain multiple units such as an apartment building, and in such cases, each unit in an apartment building would count as a location.
[5] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* Docket No. 10-90, Public Notice, DA 16-1363, 31 FCC Rcd 12900 , page 11-12 (WCB 2016) (*Guidance on Location Reporting*).
[6] *Guidance on Location Reporting,* 31 FCC Rcd 12900 , page 6 – Do's and Don'ts (2016).
[7] See 47 C.F.R. §§ 54.310(c), 54.320(d)(2), and 54.309(a)(1).

DETAILED AUDIT FINDINGS

FINDING #1: RBE Order (FCC 14-98) – Location Did Not Meet Public Interest Obligations

CONDITION

AAD selected a statistically valid sample of 65 units (63 locations) that the Beneficiary reported and certified in the HUBB portal for the RBE support at the 100 percent milestone and, using an independent engineering firm, performed physical inspections to determine whether the locations were eligible for RBE support, the related geocodes were reported and certified accurately in the HUBB portal, and the locations met the public interest obligations for offering broadband service (at least 25Mbps downstream/5 Mbps upstream)[8] with latency suitable for real-time applications (less than 100 milliseconds). For some units, the Beneficiary did not deploy broadband, or deployed broadband to locations without an eligible structure,[9] as detailed below:

Sample Size in Units	Failure Description	No Units from Statistically Valid Sample
65	No eligible structure	3

The FCC has provided guidance to beneficiaries on what locations should and should not be reported as eligible locations.[10] The Beneficiary claimed that a community center is more like commercial structure and can be reported as small businesses and that the abandoned residential structure is a residential structure that service can be delivered. Pursuant to DA-16-1363, carriers must not report community anchor institutions in the HUBB. Because the location does not meet the definition of eligible structure as required by FCC Rules, AAD concludes that the Beneficiary included a location that did not meet the qualifying location reporting in its certification to satisfy the public interest obligation for RBE support.

CAUSE

The Beneficiary believed it included small businesses and a residential location where service could be delivered in its HUBB submission.

EFFECT

The monetary effect for this finding is $0. AAD compared the number of failures to the statistically valid sample to calculate an error rate, which was then extrapolated to the population, and then compared those results to the number of units per SAC the Beneficiary reported in the HUBB portal to identify which SACs resulted in a shortfall in meeting the required deployment obligation. See details in the table below.[11]

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[8] *Rural Broadband Experiment Support Authorized For Winning Bids Submitted by Barc Electric Cooperative, Douglas Services, Inc., and Northeast Rural Service, Inc.*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 14126 (2015).
[9] *Guidance on Location Reporting,* 31 FCC Rcd 12900 , page 6 – Do's and Don'ts (2016).
[10] *Id.*
[11] Rounded to the nearest unit.

Net Failures	Failure Rate[12] (A)	No Units Reported and Certified in the HUBB as of 3/1/2022 (B)	Obligation Requirement (C)	Extrapolation of Units with Errors (D)= (A)*(B)	Units in Excess /(Shortfall) of Obligation (E) = (B)-(C)-(D)
3	4.98%	2,502	2,183	125	194

While the Beneficiary was required to deploy broadband to the number of units in Oregon, the Beneficiary reported and certified deployment to locations above the requirement. Therefore, even with the extrapolated (expected) 125 units with errors, the remaining population certified in the HUBB exceeded the number of locations that were required for deployment. Thus, while the Beneficiary reported and certified units in the HUBB that did not meet the performance obligations per the errors noted in column D above, AAD concludes that the Beneficiary met the 100 percent milestone for Oregon.

RECOMMENDATION

AAD recommends that the Beneficiary correct and recertify in the HUBB that the three locations failed.

BENEFICIARY RESPONSE

The Beneficiary declined to respond.

FINDING #2: FCC DA 16-1363 (2016) – Inaccurate Location Information Reported on the HUBB

CONDITION

AAD selected a statistically valid sample of 65 units (63 locations) that the Beneficiary reported and certified in the HUBB portal for the RBE support at the 100 percent milestone and performed physical inspections to determine whether the locations were eligible for RBE support, the related geocodes were reported and certified accurately in the HUBB portal, and the locations met the public interest obligations for offering broadband service (at least 100 Mbps downstream/25 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds). Per FCC Rules, carriers have an obligation to, in good faith and to the best of their knowledge, file complete and accurate information in the HUBB.[13] The Beneficiary reported inaccurate address locations for the units in its HUBB data submission for RBE support, as detailed in the table below.[14]

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[12] The failure rate was determined by a statistical formula that included a proportionate calculation of the number of failures against the population segregated by strata.

[13] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* 31 FCC Rcd 12900 (15), pages 11-12 – Duty to File Complete, Accurate and Timely Data, pages 11-12 (2016). *See also*, FCC Form 481 Officer Certification.

[14] *Id.*

No. of Units with Inaccurate Geocoordinates Only	No. of Units with both Inaccurate Address and Geocoordinates	Total No. of Units
43	2	45

CAUSE

The Beneficiary acknowledged that coordinates were inaccurately reported and attempted to revise them during the audit, but it could not be completed due to the HUBB being locked in March 2022.

EFFECT

AAD identified a rule violation[15] as information was not accurately reported on the HUBB. However, there is no monetary effect for this finding, as the Beneficiary was able to reconcile the differences and AAD was able to validate the geocoordinates.

RECOMMENDATION

AAD recommends that the Beneficiary correct and recertify in the HUBB that the 45 locations failed.

BENEFICIARY RESPONSE

The Beneficiary declined to respond.

[15] *Id.*

CRITERIA

Finding	Criteria	Description
#1	*Connect America Fund, ETC Annual Reports and Certifications*, WC Docket No. 10-90, 14-58, Report and Order & Notice of Proposed Rulemaking, FCC 14-98, 29 FCC Rcd 8769, para. 74 (2014)	*Build-Out Requirements for all Recipients.* As we discuss above, all recipients of rural broadband support will receive support in 120 equal monthly disbursements over a 10-year support term, consistent with the support term we have adopted for the Phase II competitive bidding process. The support term will begin with the first disbursement of support after the entities have been notified that they are the winning bidders and that they have met the requirements outlined above. During this support term, the recipients will be required to meet interim build-out requirements consistent with the build-out requirements we have adopted generally for recipients of Connect America Phase II funding. By the end of the third year, the recipients must offer service meeting the public service obligations we adopted for the relevant experiment category to at least 85 percent of the number of required locations and submit the required certifications and evidence. By the end of the fifth year, the recipients must offer service meeting the public service obligations we adopted for the relevant experiment category to 100 percent of the number of required locations and submit the required certifications and evidence. Recipients must comply with the terms and conditions of rural broadband experiment support for the full 10-year support term.
#1	*Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations*, Docket No. 10-90, Public Notice, DA 16-1363, 31 FCC Rcd 12900, page 6 – Do's and Don'ts (2016)	**DO NOT report:** • The location of the network's pedestal, box, or node • Empty parcels of land • Houses or buildings under construction • Group quarters, such as dormitories, nursing homes, residential treatment centers, military installations, or correctional facilities – as residential locations • Community anchor institutions (regardless of the size). Community anchor institutions include such entities as schools, libraries, hospitals and other medical providers, public safety entities, institutions of higher education, and community support organizations that facilitate greater use of broadband by vulnerable populations, including low-income, the unemployed, and the aged. • Wireless infrastructure sites, such as cell towers • The locations of businesses expected to purchase dedicated high capacity transmission, such as business data services • Structures that are open to the elements—that is, the roof, walls, windows, and/or doors no longer protect the interior from the elements • Vacant structures that are condemned or are to be demolished (often indicated by a sign on the structure)

Finding	Criteria	Description
		• Boats, recreational vehicles (RVs), tents, caves, and similar types of shelter that no one is using as a residence
#1	*Connect America Fund, ETC Annual Reports and Certifications*, WC Docket No. 10-90, 14-58, Report and Order & Notice of Proposed Rulemaking, FCC 14-98, 29 FCC Rcd 8769, para. 92 (2014)	*Support Reductions and Recovery of Support.* If a recipient begins receiving support, and the Bureau subsequently determines that it fails to meet the terms and conditions of its experiment, the Bureau will issue a letter evidencing the default, and USAC will begin withholding support.
#2	*Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* Docket No. 10-90, Public Notice, DA 16-1363, 31 FCC Rcd 12900, pages 11-12 (2016)	We remind carriers that they have an obligation under section 54.316 to, in good faith and to the best of their knowledge, file complete and accurate information in the HUBB. This includes the obligation to file all locations to which a carrier has made service available in accordance with its specific obligations for the reporting period, not just a subset of those locations. Carriers also have a duty to correct or amend submitted information if they have reason to believe, either through their own investigation or upon notice from USAC, that the data is inaccurate, incomplete, or contains data errors or anomalies. This duty to correct or amend applies both before and after the carrier has filed and certified as complete its report for each reporting period. Carriers will not, however, be subject to non-compliance measures based on the information they have filed or omitted for a particular reporting period until the reporting period deadline has passed.
#2	FCC Form 481 Officer Certification	"I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate."

ATTACHMENT I: SPECIALIST REPORT - ELITE SYSTEMS

ELITE SYSTEMS

ENGINEERING STUDY REPORT

RBE HIGH-COST PROGRAM

DOUGLAS ELECTRIC

State of Oregon - SAC 536129
Audit ID HC2022LR040

Report Release: September 20th, 2023
Final Version: February 11, 2025

www.elitesystems.com

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ACRONYMS AND ABBREVIATIONS

Acronym/Abbreviation	Meaning
AWS	Amazon Web Services
DSLAM	Digital-Subscriber-Line-Access-Multiplexer
FCC	Federal Communications Commission
GIS	Geographic information system
HUBB	High-Cost Universal Broadband
KPI	Key Performance Indicators
SAC	Service Area Code
Exception	Location not meeting KPI requirements
MDU	Multi Dwellings Units (Apartment Building)

EXECUTIVE SUMMARY

Elite Systems was awarded a contract to conduct an independent audit of Douglas Electric to validate compliance with broadband service deployment obligations under the Rural Broadband Experiments (RBE) program. This audit was conducted in Oregon within Service Area Code (SAC) 536129 and encompassed 63 locations (65 units). The audit period spanned from March 13, 2023, to March 21, 2023, and was carried out in accordance with contract AAD20_108, under the High-Cost Broadband Network and Engineering Audit Services program.

Elite Systems was tasked with performing an on-site verification of broadband service deployment, which included confirming Global Positioning System (GPS) coordinates, assessing the type and number of units per location, inspecting outside plant infrastructure, and evaluating the service Key Performance Indicators (KPIs). The minimum mandated KPIs, as outlined in 47 C.F.R. § 54.309 for this SAC, include:

• Download speed: 25 Mbps
• Upload speed: 5 Mbps
• Latency: 100ms or less

The audit was conducted in strict adherence to program specifications set forth by the Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD). The testing approach was systematically tiered by location to ensure a comprehensive evaluation.

Pre-Audit Documentation Review

Prior to conducting field visits, Elite Systems performed an extensive documentation review to assess the eligibility of sample locations for the RBE program. This included:

• Verifying SAC eligibility and alignment with Extremely High-Cost Census Blocks (ECHBs).

• Confirming broadband technology type (Fiber, DSL, Copper, or Fixed Wireless).

• Identifying locations with active broadband subscribers.

• Cross-referencing reported street addresses and geocodes with the HUBB database submissions.

RESULTS SUMMARY:

Elite Systems audited 63 locations (65 units) and found that all locations met the minimum KPIs. A unit refers to an apartment in a multi-dwelling facility, where multiple customers could be present. The audit also identified 3locations where either no structure or a non-compliant structure was found as per RBE requirements (DA 16-1363). **See Table 1**

All KPIs were collected at the closest publicly accessible point to the site using a temporary service set up by Douglas Electric ("RBE beneficiary"), as detailed in the next section, Out of the 63 audited locations, 38 were active subscribers of broadband service from Douglas Electric.

Exception	# of Locations	# of Units
KPI Failure	0	0
Ineligible Location - Building Type	3	3
Empty Parcel	1	1
Vacant Structure	1	1
Community Anchor Institution	1	1

Table 1: KPI Summary

Table 2 outlines Elite Systems' findings regarding what was reported to the HUBB by Douglas Electric for this sample. More details on this can be seen in the Locations Field Visit Procedure section.

Exception	# of Locations	# of Units
Incorrect Address Reported on the HUBB	2	2
Geolocation Reported more than 36 feet from validated structure	43	45
Incorrect Address Reported on the HUBB and Geolocation Reported more than 36 feet from validated structure	2	2
Total:	**43**	**45**

Table 2: HUBB Reporting Discrepencies

[1]*The third row (Geolocation and Address Incorrect) is the overlap between Incorrect Address and Incorrect Geolocation count. Total = (Geolocation Failure + Address Failure) – Geolocation & Address Failure.*

TESTING AND DATA COLLECTION APPROACH

TEST FLOW PROCESS

The Elite Systems' team applied the following methodology in planning and executing all phases of the audit, as outlined in Figure 1

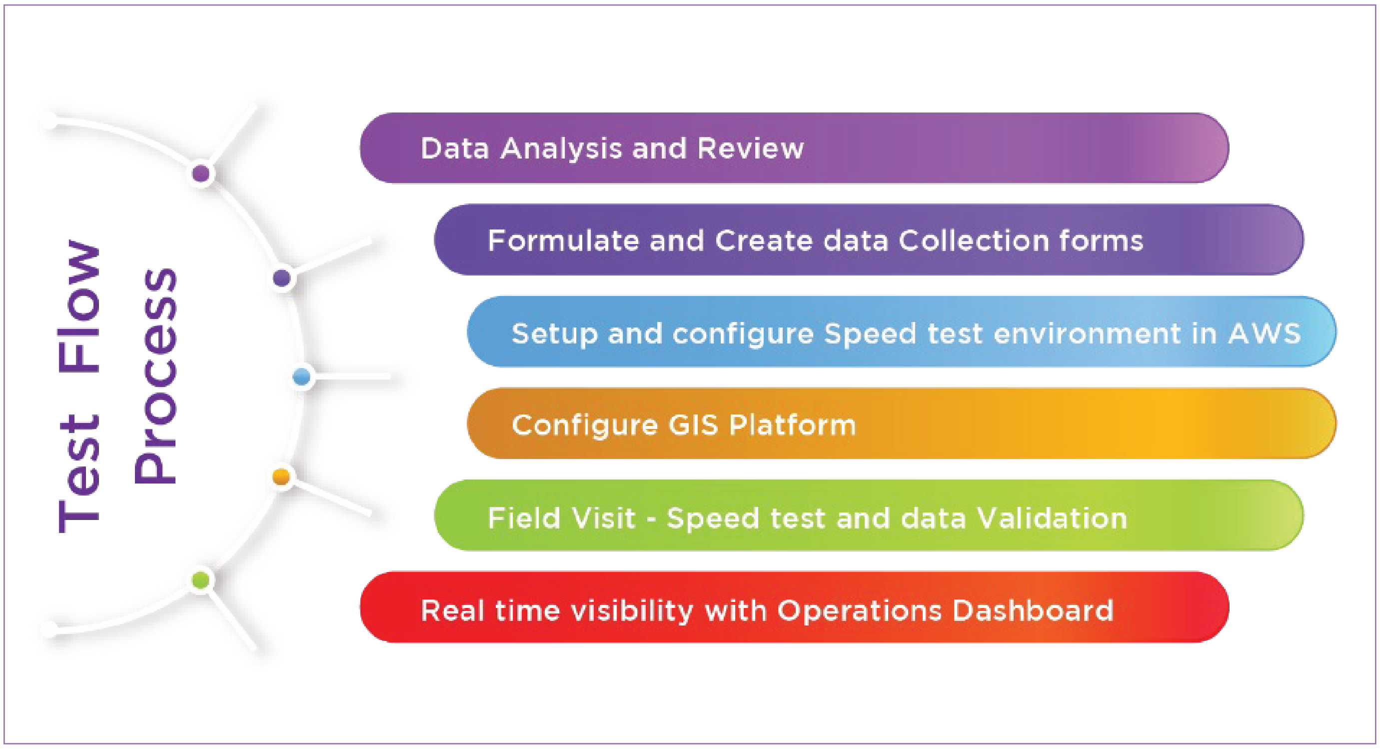

Figure 1

FIELD VISIT PROCEDURE

During the field visits, Elite Systems' team confirmed street addresses and geolocations, photographed the exterior of buildings, and identified the carrier's terminal where KPIs were measured. The team documented any discrepancies and followed FCC regulations to ensure compliance. All test results were recorded and uploaded in real-time to Elite Systems' servers for analysis. The team also verified broadband availability and tested KPIs (download, upload, latency). The field team was accompanied by a representative from Douglas Electric for all visits.

For wired technologies, including Fiber, DSL, and Copper, testing was conducted at the terminal (the carrier's distribution box near the premises) with a spare service line provided by Douglas Electric. This line was connected to a residential gateway (router) to replicate the setup found at the subscribers' premises. Figure 2 illustrates the wireline testing setup

Figure 2: Wireline Testing

Figure 3: Fixed Wireless Testing

For locations using fixed wireless service, temporary towers were erected with wireless receivers, and a router connected to the NSC-100 tool was used to measure broadband performance. Figure 3 demonstrates the fixed wireless testing.

Upon arrival at each location, the Elite Systems field team first attempted to reach the geolocation provided by the carrier via the HUBB. If both the street address and geolocation matched back-office records, the location was confirmed as a perfect match, and the team proceeded with KPI collection.

Upon arrival at each location, the Elite Systems field team first attempted to reach the geolocation provided by the carrier via the HUBB. If both the street address and geolocation matched back-office records, the location was confirmed as a perfect match, and the team proceeded with KPI collection.

If the geolocation was correct but the postal address did not match, the team recorded the correct address and continued with KPI collection. Conversely, if the geolocation was inaccurate but the postal address matched, the team documented the correct geolocation from the nearest publicly accessible point (typically the mailbox) before proceeding.

When both the geolocation and postal address were incorrect, an on-site Douglas Electric technician provided the correct address using the Douglas Electric Communications Management Tool (CMT), which offers the most reliable field data. The team then recorded the correct postal address and geolocation before proceeding with KPI collection.

Additionally, the team ensured compliance with the following criteria:

- The structure must meet FCC standards as a single-family or multi-family dwelling. Group quarters, such as college dormitories, do not qualify as residential locations.

- GPS records and geolocation must align with existing records, with no duplicate entries.

For locations without a standard U.S. Postal Service address, technicians recorded data to establish the location via mapping or in-person verification. Addresses could not be assigned to the carrier pedestal, box, or node; empty parcels of land; locations under construction; community institutions (e.g., schools, libraries, hospitals, community support organizations, etc.); wireless infrastructure locations, such as cell towers; structures that are open to the elements; vacant structures that are condemned or are to be demolished; or boats, recreational vehicles, tents, caves, and similar types of shelter.

Per FCC Regulations[2], locations with GPS coordinates within 36 feet of a structure were excluded from Table 2 due to an allowable margin of error. Locations beyond 36 feet but still within property boundaries—common in rural areas—were also excluded.

Test results were recorded on the field engineer's tablet and uploaded to Elite Systems' servers for analysis by systems analysts and network engineers. A proprietary automated dashboard, developed by Elite Systems' software engineers, facilitated real-time monitoring by analysts and the USAC team (see Figure 4).

---

[2]*In the Matter of Connect America Fund, Order, FCC DA 19-1165, para. 40 (2019) (The Bureau has determined that sets of geocoordinates a distance of 36 feet or more from another will describe separate structures.)*

This report is accompanied by 63 individual reports for each location audited. These reports are saved to the USAC SharePoint server and include the following details:

1. Verified postal address.
2. Description of the location including pictures of the outside of the home or building.
3. Longitude and latitude coordinates of the service location.
4. Download speed measured in megabits per second (Mbps).
5. Upload speed measured in Mbps.
6. Latency measured in milliseconds.
7. Geocoded pictures of the serving terminal or DSLAM where KPI were collected.
8. Engineering report provided by the carrier.
9. Comments and notes taken by the field team on-location.
10. Names of the Elite Systems technicians performing the engineering audit and the accompanying carrier's representative.
11. Date and time of the audit

EQUIPMENT, SOFTWARE, AND ANALYTICAL METHODOLOGY

The NSC-100 (RFC-6349 TrueSpeed) tool, used by most major carriers, was deployed to perform accurate testing of Ethernet and wireless connections. The system's software was hosted on AWS servers for network isolation and real-time data analysis, allowing for precise measurements of download, upload, and latency KPIs.

Elite Systems used ArcGIS Survey123 for real-time data collection from the field, as shown in Figures 4, 5, 6, and 7, which facilitated data verification, monitoring, and further analysis.

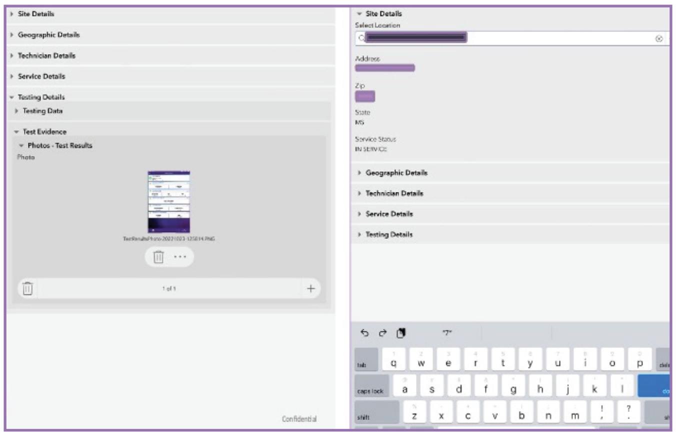

Figure 4: Field Survey Data Collection 1

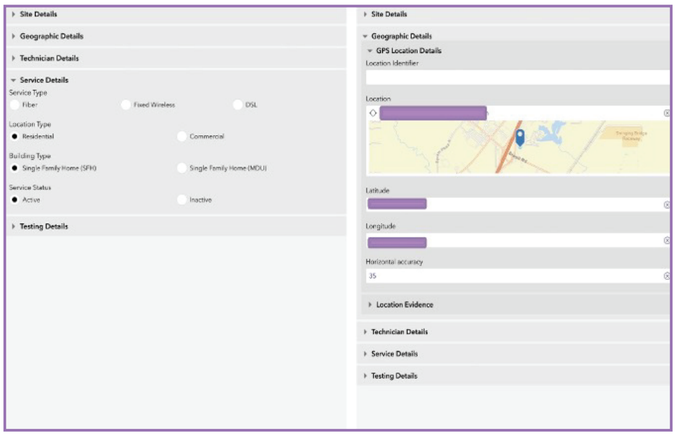

Figure 5: Field Survey Data Collection 2

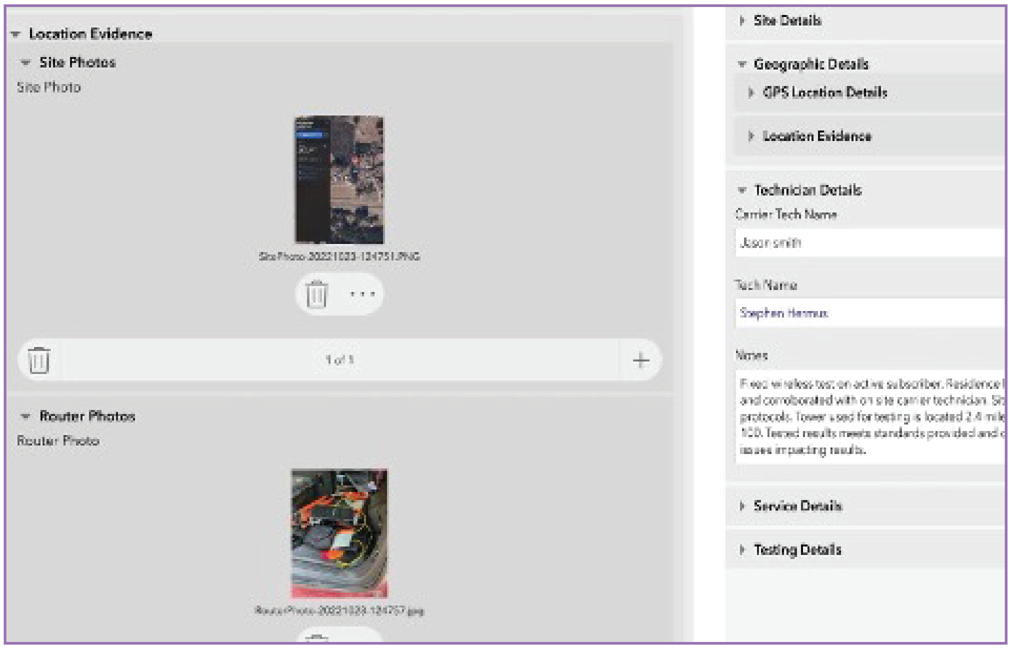

Figure 6: Field Survey Data Collection 3

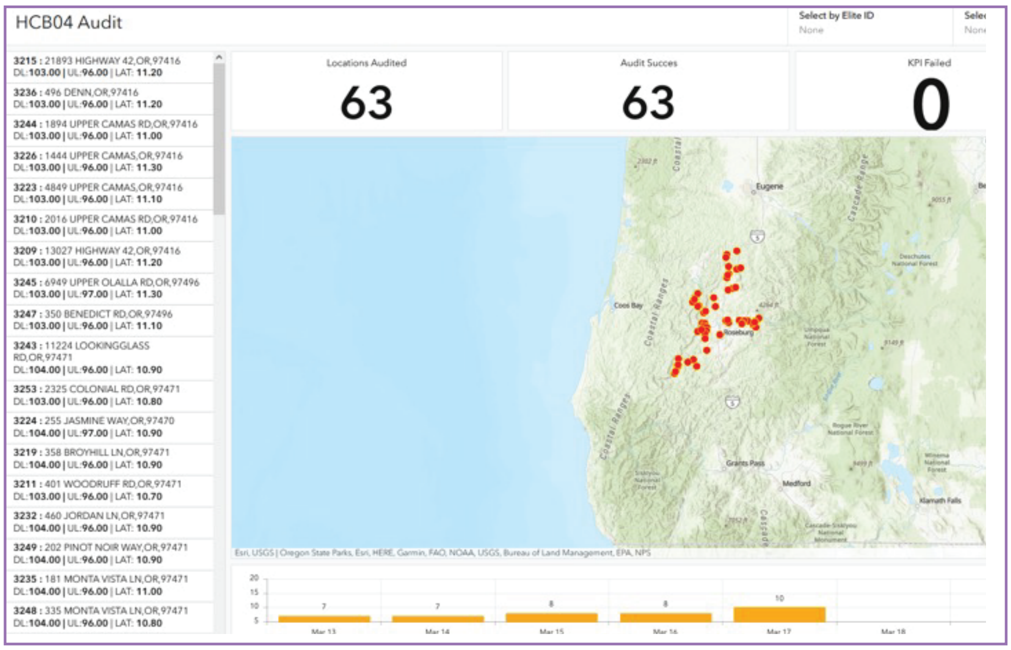

Figure 7: Dashboard Sample

CONCLUSION:

DOCUMENTATION REVIEW FINDINGS

The documentation provided by Douglas Electric met the minimum program requirements for location audit preparation. All necessary details, including postal addresses, geolocations, technology types, and active customer information, were verified to ensure proper eligibility for the RBE program.

Elite Systems confirmed that all locations were within the correct census block boundaries, with no locations falling within Extremely High-Cost Census Blocks (ECHBs). See Figure 8. Douglas Electric received $1,906,134.94 of the $2,375,000 allocated to this SAC by the FCC.

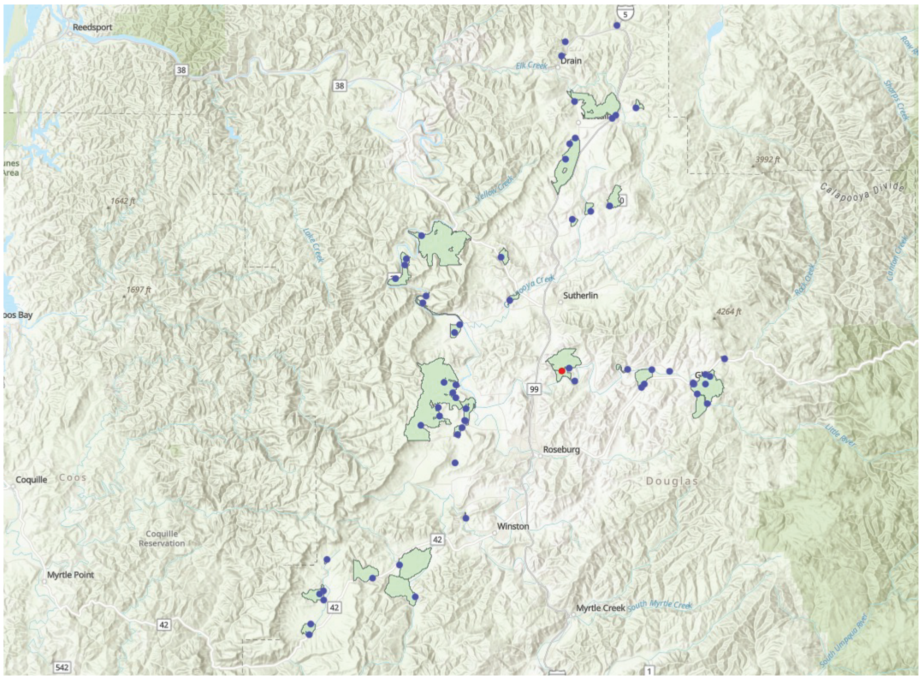

Figure 8: Distribution of Locations on Census Blocks

FIELD VISIT FINDINGS

1. KPI TEST FINDINGS

Elite Systems tested 63 locations (65 units) in this SAC and discovered all locations met the minimum required KPIs. The tested locations were all serviced with fiber.

2. BUILDING TYPE FINDINGS

To qualify for CAF-II eligibility the location and unit must be in an inhabitable condition. Trailers, large businesses, certain community centers (including places of worship), and empty lots are not eligible. Table 3 lists locations and units that are found to be ineligible and are reported as exceptions

Building Validation and details	# Of Locations	# Of Units
Empty Parcel	1	1
Vacant Structure	1	1
Community Anchor Institution	1	1
	3	**3**

Table 3: Ineligible Building Type

3. ADDRESS AND GEOLOCATION FINDINGS

Elite Systems identified several discrepancies between the submitted HUBB data and the field audit:

- 2 locations had an incorrect address reported in the HUBB.
- 43 locations had geolocations reported more than 36 feet from the validated structure.
- 2 locations had both incorrect addresses and geolocation discrepancies. See Table 2.

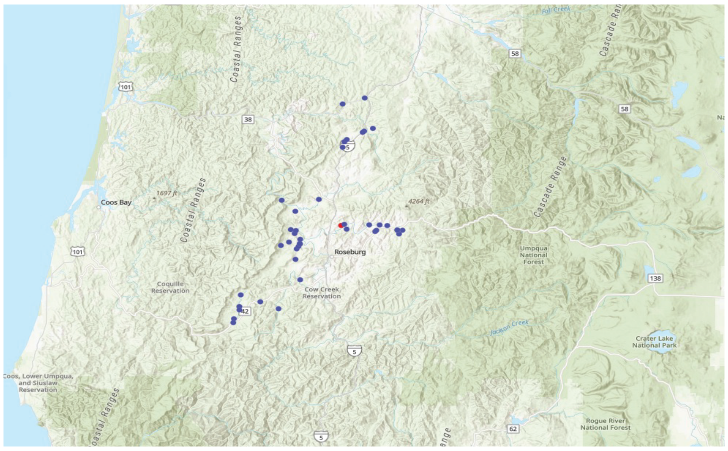

Figure 9: Inaccurate HUBB Submissions

APPENDIX A: ADDITIONAL ANALYSIS

Elite Systems also reviewed Douglas Electric's broadband services via their website and advertising channels. The audit revealed that the average monthly charge for active subscribers was $63.33, which is below the average rate specified by the FCC 2021 Urban Rate Survey. Additionally, the data allowance for active subscribers was found to be comparable to urban area offerings, with an average allowance of 350GB per month for Fiber connections. See Table 4.

Audit location Service Status	Audited Subscribers Status	Average of Total Monthly charges
Active	38	$ 63.33
Inactive	25	

Table 4: Average Monthly Billing

This concludes the report.

Summary of the Low Income Support Mechanism Beneficiary Audit Reports Released: March 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A Cintex Wireless, LLC	1	• **Subscribers Outside of Service Area:** The Beneficiary claimed subscribers who reside outside of the Beneficiary's designated service area.	$5,187,050	$302,478	$302,478	Partial
Attachment B American Broadband and Telecommunications Company	1	• No significant findings.	$8,108,970	$1,045	$1,045	N
Attachment C Amvensys Telecom Holdings	2	• No significant findings.	$1,070,002	$5,958	$5,958	N
Attachment D T-Mobile USA, Inc.	0	• Not applicable.	$658,659	$0	$0	N/A
Total	**4**		**$15,024,681**	**$309,481**	**$309,481**	

Attachment A

LI2022LR009

DP George & Company

Cintex Wireless, LLC

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

USAC Audit No. LI2022LR009

CONTENTS

EXECUTIVE SUMMARY

March 5, 2025

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of Cintex Wireless, LLC (Holding Company), for all study area codes (SACs) where the Holding Company claimed subscribers during January 2020 – June 2021, using the Federal Communications Commission (FCC) 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 FCC Rules). Compliance with the FCC Rules is the responsibility of the Holding Company's management. DPG's responsibility is to make a determination regarding the Holding Company's compliance with the FCC Rules based on our limited review performance audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG 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 DPG's findings and conclusions based on the audit objectives

Based on the test work performed, our audit disclosed one detailed audit finding (Finding) in the Detailed Audit Findings 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.

Certain information may have been omitted from this report concerning communications with Universal Service Administrative Company (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 Holding Company, 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.

Sincerely,

DP George & Company, LLC

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division

AUDIT RESULT AND RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.201(b) (2019) – Subscribers Outside of Service Area The Holding Company claimed subscribers on its LCS submission who reside outside the service area designated by the state commission.	$302,478
Total Monetary Effect	**$302,478**

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.

OBJECTIVE, SCOPE, BACKGROUND, AND METHODOLOGY

OBJECTIVE

The objective of our audit was to determine whether the Holding Company complied with the FCC Rules.

SCOPE

The following chart summarizes the Lifeline program support the Holding Company received based on its Lifeline Claim System (LCS) submissions for the 18-month period from January 2020 through June 2021 (the audit period):

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
109012	ME	Non-Tribal Lifeline	317	$27,130
189016	MD	Non-Tribal Lifeline	22,057	$2,172,226
209018	WV	Non-Tribal Lifeline	8,300	$813,714
409028	AR	Non-Tribal Lifeline	23,065	$2,063,812
589003	RI	Non-Tribal Lifeline	1,544	$110,168
Total			**55,283**	**$5,187,050**

Notes:
The amount of support listed above reflects disbursements as of the commencement of the audit.

BACKGROUND

The Holding Company operates as a competitive eligible telecommunications carrier (ETC) in all the states identified in the Scope table above.

METHODOLOGY

DPG performed the following procedures:

A. Lifeline Claim System

DPG obtained and examined the Holding Company's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Holding Company's data files. DPG 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 Holding Company's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased 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

DPG obtained an understanding of the Holding Company's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Holding Company complied with Program Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier results for 330 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households

DPG obtained an understanding of the Holding Company's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Holding Company to comply with the Independent Economic Household (IEH) requirements. DPG obtained and tested documentation or National Verifier results for 143 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 330 subscribers.

E. Form 555

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

F. Non-Usage Process
DPG obtained an understanding of the Holding Company's non-usage process relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 151 subscribers to determine whether the Holding Company properly validated continued use of the Lifeline-supported service. The Scope of this audit did not include an assessment of the Holding Company's systems that provision, process, and monitor subscribers' usage activities.

G. Minimum Service Standard
DPG obtained an understanding of the minimum services offered by the Holding Company. DPG examined the Holding Company's evidence of the level of service provided for 330 subscribers to determine whether the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

H. Reseller-based Telecommunication Providers
DPG obtained an understanding of the Holding Company's leased phone lines relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation to determine whether the Holding Company properly claimed Lifeline Program subscribers that used the leased phone lines.

I. Enrollment Representative Accountability
DPG obtained an understanding of the Holding Company's enrollment representative process relating to the Lifeline program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 17 enrollment representatives to determine whether the Holding Company compensates its enrollment representatives on a commission basis.

DETAILED AUDIT FINDING

Finding #1: 47 C.F.R. § 54.201(b) (2019) – Subscribers Outside of Service Area

CONDITION

DPG obtained and examined the Holding Company's LCS submission used to support the number of Lifeline claims and mapped the location of each subscriber's address to determine whether the Holding Company provided services to subscribers who resided in the areas where it was designated as an ETC.[1] DPG determined that for one (SAC 409028) of the five SACs where support was claimed, the Holding Company claimed subscribers whose address fell outside of the designated service area for their respective SAC. DPG identified a total of 3,150 such subscribers who were located at 2,892 addresses outside their designated service area.

The Arkansas Public Service Commission designated the service area for SAC 409028 based on the exchange boundaries for ILEC Southwestern Bell Telephone, L.P. d/b/a AT&T Arkansas as listed in the Holding Company's ETC Designation Order.[2]

CAUSE

The Holding Company did not have an adequate process in place to ensure it claimed support for eligible subscribers who resided within its designated service area.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
409028	Non-Tribal Lifeline	$302,478
	Total:	**$302,478**

DPG calculated the monetary effect of $302,478 by first determining the number of instances (months) where the documentation provided did not support the monthly claim. DPG identified a total of 32,701 instances. DPG multiplied the instances by the support amount requested in the LCS submission and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Non-Tribal Lifeline	32,698	$9.25	$302,456
Non-Tribal Lifeline	3	$7.25	$22
		Total:	**$302,478**

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above.

---

[1] *See* 47 C.F.R. § 54.201(b) (2019)

[2] *See* IN THE MATTER OF THE APPLICATION OF CINTEX WIRELESS, LLC FOR PETITION FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER, Docket No. 11-036-U, Order No. 3 (Arkansas Public Service Commission, Issue Date May 24, 2011)

DPG recommends that the Holding Company implement policies and procedures to ensure that it adheres to the FCC Rules and only seeks universal support for eligible subscribers within its ETC designated service area in accordance with the FCC Rules. In addition, the Holding Company 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/.

HOLDING COMPANY RESPONSE

The only finding in DPG's draft audit is the conclusion that there were 3,156 subscribers, located at 2,898 addresses, who were outside of Cintex's designated service area in Arkansas. Cintex's analysis shows that DP George is incorrect as to at least seven subscribers. These subscribers are inside the designated non-rural service area for Southwestern Bell Telephone, in which Cintex is authorized to operate:

No.	ADDRESS	CITY	STATE	ZIP
1	7495 HIGHWAY 13	SEARCY	AR	72143
2	7722 HIGHWAY 13	SEARCY	AR	72143
3	403 WEBB HILL RD	JUDSONIA	AR	72081
4	3000 ARKANSAS HIGHWAY 294	JACKSONVILLE	AR	72076
5	490 CLAY RD	SEARCY	AR	72143
6	503 CLAY RD	SEARCY	AR	72143
7	12066 EVANS LN	WEINER	AR	72479

To reach this conclusion, Cintex created a CSV file with the addresses of the subscribers at issue. Cintex then imported that address list into Google Earth Pro, after configuring the import settings so that address data was correctly mapped. Cintex verified that Google Earth Pro was placing the address data in the correct locations. Next, Cintex imported the FCC's shapefile of study area boundaries into Google Earth Pro and filtered for SAC Code, 405211, Southwestern Bell Telephone. With both the boundaries and the subscriber addresses loaded, Cintex then checked which addresses were located within the designated service area.

After identifying a number of subscribers who appeared within the designated service area for Southwestern Bell Telephone, despite DPG's conclusion to the contrary, Cintex then confirmed which addresses were inside the service area by entering those addresses into the study area boundary map the FCC maintains online. That analysis confirmed that the seven subscribers above are within the service area for Southwestern Bell Telephone.

Cintex acknowledges that it should have conducted a more thorough analysis to confirm the areas in which it was authorized to provide service and to ensure that its systems only permitted enrollment in authorized service areas. Cintex is committed to rectifying this situation, including submitting refunds to USAC. As of August 18, 2024, Cintex stopped enrolling new customers. It is in the process of migrating all of its remaining customers to AirVoice Wireless, which is authorized to provide Lifeline services in Arkansas statewide. Cintex and AirVoice expect to complete that migration this month. Though not the subject of the audit, AirVoice also is committed to ensuring that similar issues do not arise at AirVoice.

DPG RESPONSE

DPG confirmed through the FCC website that subscriber numbers 1 through 6 included in the listing provided by the Holding Company are within the Southwestern Bell Telephone study area for SAC 405211. We removed these subscriber counts from the Condition and from the Monetary Effect calculation which resulted in a $389 decrease to the Monetary Effect. Subscriber number 7 was removed from the list of subscribers identified outside the service area based on an earlier Holding Company response and was not included in the draft report Condition or Monetary Effect.

DPG used mapping software to plot all subscriber addresses against shapefile boundaries available to us through both purchased software and the FCC. DPG determined the initial listing of subscribers outside the service area based on plotted points that appeared to fall outside the mapping. DPG provided an initial listing of subscribers identified outside the service area to the Holding Company on June 10, 2024 under PBC Request #31 and on July 15, 2024 as part of the final follow-up process. In its response on July 19, 2024, the Holding Company identified 1,647 subscribers that it believed fell within the service area based on zip code. DPG researched those subscribers and determined that two subscribers (including Subscriber number 7) should be removed from the listing. DPG provided a second opportunity for the Holding Company to review the revised listing on October 2, 2024 as part of the exit process at which time the Holding Company provided the report response above.

DPG maintains that it is the Holding Company's responsibility to establish a process to ensure that it complies with FCC Rules and DPG afforded the Holding Company sufficient opportunities to review identified exceptions and provide evidence to support any subscribers it believed were within its boundaries. For these reasons, we maintain that the subscribers identified within the Condition represents subscribers who are not within the service area boundaries of the Holding Company and that USAC management should pursue recovery of the Monetary Effect identified for these subscribers.

CRITERIA

47 C.F.R. § 54.201(b) (2019)

> "(b) A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission."

IN THE MATTER OF THE APPLICATION OF CINTEX WIRELESS, LLC FOR PETITION FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER, Docket No. 11-036-U, Order No. 3 (Arkansas Public Service Commission, Issue Date May 24, 2011)

> "It is therefore ordered that the Application of Cintex for Designation as an Eligible Telecommunications Carrier on a wireless basis is granted, and Cintex Wireless, LLC is hereby authorized as an ETC to provide Lifeline and Link-Up services via wireless operations throughout the non-rural service area of AT&T Arkansas, and to participate in the low-income mechanisms of the Universal Service Fund, to include both Lifeline and Link-Up."

This concludes the report.

Attachment B

LI2022LR012

DP George & Company

American Broadband and Telecommunications Company

Limited Review Audit on Compliance with the Federal Universal Service Fund Lifeline Support Mechanism Rules
USAC Audit No. LI2022LR012

CONTENTS

DP George & Company

EXECUTIVE SUMMARY

March 5, 2025

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of America Broadband and Telecommunications Company (Holding Company), for all study area codes (SACs) where the Holding Company claimed subscribers during January 2020 – June 2021, using the Federal Communications Commission (FCC) 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 FCC Rules). Compliance with the FCC Rules is the responsibility of the Holding Company's management. DPG's responsibility is to make a determination regarding the Holding Company's compliance with the FCC Rules based on our limited review performance audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG 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 DPG's findings and conclusions based on the audit objectives

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Sincerely,

DP George & Company, LLC

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division

AUDIT RESULT AND RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.407(a) (2019) – Duplicative Support. The Holding Company claimed support for the same individual more than once in a month.	$1,045
Total Monetary Effect	**$1,045**

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.

OBJECTIVE, SCOPE, BACKGROUND, AND METHODOLOGY

OBJECTIVE

The objective of our audit was to determine whether the Holding Company complied with the FCC Rules.

SCOPE

The following chart summarizes the Lifeline program support the Holding Company received based on its Lifeline Claim System (LCS) submissions for the 18-month period from January 2020 through June 2021 (the audit period):

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
179030	PA	Non-Tribal Lifeline	2782	$51,689
189030	MD	Non-Tribal Lifeline	23	$2,875
229029	GA	Non-Tribal Lifeline	163	$4,505
249029	SC	Non-Tribal Lifeline	186	$17,753
269044	KY	Non-Tribal Lifeline	208	$8,772
309010	OH	Non-Tribal Lifeline	5,319	$151,104
319032	MI	Non-Tribal Lifeline	4,308	$108,371
329020	IN	Non-Tribal Lifeline	670	$48,779
339038	WI	Non-Tribal Lifeline	123	$16,131
349031	IL	Non-Tribal Lifeline	2,527	$304,352
369030	MN	Non-Tribal Lifeline	37	$4,312
409039	AR	Non-Tribal Lifeline	346	$5,252
429033	MO	Non-Tribal Lifeline	109	$5,873
459025	AZ	Non-Tribal Lifeline	384	$35,099
469029	CO	Non-Tribal Lifeline	32	$3,645
509017	UT	Non-Tribal Lifeline	15	$1,147
549031	CA	Non-Tribal Lifeline	130,872	$7,220,004
559023	NV	Non-Tribal Lifeline	531	$25,062
589016	RI	Non-Tribal Lifeline	2	$265

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
629010	HI	Non-Tribal Lifeline	25	$2,442
639018	PR	Non-Tribal Lifeline	625	$91,538
Total			**149,287**	**$8,108,970**

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

BACKGROUND

The Holding Company operates as a competitive eligible telecommunications carrier (ETC) in all the states identified in the Scope table above.

METHODOLOGY

DPG performed the following procedures:

A. Lifeline Claim System

DPG obtained and examined the Holding Company's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Holding Company's data files. DPG 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 Holding Company's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased 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

DPG obtained an understanding of the Holding Company's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Holding Company complied with Program Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier results for 488 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households

DPG obtained an understanding of the Holding Company's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Holding Company to comply with the Independent Economic Household (IEH) requirements. DPG obtained and tested documentation or National Verifier results for 184 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts
DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 488 subscribers.

E. Form 555
DPG obtained and examined the Holding Company's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Holding Company's data files.

F. Non-Usage Process
DPG obtained an understanding of the Holding Company's non-usage process relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 211 subscribers to determine whether the Holding Company properly validated continued use of the Lifeline-supported service. The Scope of this audit did not include an assessment of the Holding Company's systems that provision, process, and monitor subscribers' usage activities.

G. Minimum Service Standard
DPG obtained an understanding of the minimum services offered by the Holding Company. DPG examined the Holding Company's evidence of the level of service provided for 488 subscribers to determine whether the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

H. Reseller-based Telecommunication Providers
DPG obtained an understanding of the Holding Company's leased phone lines relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation to determine whether the Holding Company properly claimed Lifeline Program subscribers that used the leased phone lines.

I. Enrollment Representative Accountability
DPG obtained an understanding of the Holding Company's enrollment representative process relating to the Lifeline program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 12 enrollment representatives to determine whether the Holding Company compensates its enrollment representatives on a commission basis.

DETAILED AUDIT FINDING

Finding #1: 47 C.F.R. § 54.407(a) (2019) – Duplicative Support

CONDITION

DPG examined the Holding Company's claims in LCS to determine whether support was claimed for the same individual more than once in a data month.[1] DPG utilized computer-assisted auditing techniques over the subscriber's Personal Identifiable Information (PII) to identify instances of potential duplicate claims for the same eligible subscriber. DPG obtained and examined available photo identification and eligibility documentation from the California third-party administrator (TPA) to determine whether actual duplicate claims occurred.

DPG determined that 27 subscribers received duplicative support. DPG determined that for 21 subscribers the photo identification support provided by the California TPA confirmed that the potential duplicate subscribers were the same individual. DPG determined that for the remaining six subscribers, the PII shared by the subscribers and lack of evidence substantiating them as different individuals was sufficient to recognize them as duplicate claims. The PII combinations associated with these six subscribers are detailed below:

PII Combinations	Number of Subscribers
Same First and Last Name, Same DOB, Same Last Four of SSN	1
Same First and Last Name, Same DOB, Same City	1
Same First Name, Similar Last Name, Same DOB, Same Address	1
Similar First Name, Same Last Name, Same DOB, Same Address	1
Same First and Last Name, Same DOB, Same Address	1
Same First and Last Name, Same DOB	1
Total	**6**

CAUSE

The Holding Company relied on the approval process performed by the California TPA and did not have an adequate analysis process in place to prevent it from providing more than one Lifeline service per subscriber.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
549031	Non-Tribal Lifeline	$1,045
	Total:	**$1,045**

DPG calculated the monetary effect of $1,045 by determining the number of instances (months) the Holding Company claimed duplicative support for the 27 subscribers. DPG identified a total of 113 such instances. DPG multiplied the instances by the support amount requested in the LCS submission and rounded to the nearest whole dollar.

DPG considered the second duplicate application for the subscriber (duplicate subscriber) to be invalid, as the subscriber was already being claimed for support. Therefore, DPG counted all claimed months for the duplicate

[1] 47 C.F.R. §§ 54.400(g), 407(a), 409(c) (2019)

subscriber as instances where duplicative support was received. Where the duplicate subscriber was clearly de-enrolled and re-enrolled in the same month, DPG only included the single overlap month in the count of instances where duplicative support was received.

Support Type	Instances	Rate	Monetary Effect
Non-Tribal Lifeline	113	$9.25	$1,045
		Total:	**$1,045**

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above.

DPG recommends that the Holding Company implement policies and procedures to ensure that it adheres to the FCC Rules and only seeks universal support for eligible subscribers in accordance with the FCC Rules. In addition, the Holding Company 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/.

HOLDING COMPANY RESPONSE

AMBT's goal is zero duplicative or otherwise improper payments. AMBT's use of software and human supervision to detect duplicate payments was largely successful as 780,428 out of 780,541 payment occurrences were correct single payments, while 113 were deemed to be duplicative. This is a 99.987% successful single payment rate, contrasted to a duplicate payment rate of 0.013%. This extremely low number of duplicate payments was de minimis and reflects AMBT's robust compliance process. AMBT urges that these factors be considered when reviewing this report.

CRITERIA

47 C.F.R. § 54.407(a) (2019)

> "(a) Universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier based on the number of actual qualifying low-income customers it serves directly as of the first day of the month. After the National Verifier is deployed in a state, reimbursement shall be provided to an eligible telecommunications carrier based on the number of actual qualifying low-income customers it serves directly as of the first day of the month found in the National Verifier."

47 C.F.R. § 54.400(g) (2019)

> "(g) Duplicative support. "Duplicative support" exists when a Lifeline subscriber is receiving two or more Lifeline services concurrently or two or more subscribers in a household are receiving Lifeline services or Tribal Link Up support concurrently."

47 C.F.R. § 54.409(c) (2019)

> "(a)…in order to constitute a qualifying low-income consumer, a consumer must not already be receiving a Lifeline service, and there must not be anyone else in the subscriber's household subscribed to a Lifeline service."

This concludes the report.

Attachment C

LI2022LR014

DP George & Company

Amvensys Telecom Holdings

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

USAC Audit No. LI2022LR014

CONTENTS

EXECUTIVE SUMMARY

March 5, 2025

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of Amvensys Telecom Holdings (Holding Company), for all study area codes (SACs) where the Holding Company claimed subscribers during January 2020 – June 2021, using the Federal Communications Commission (FCC) 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 FCC Rules). Compliance with the FCC Rules is the responsibility of the Holding Company's management. DPG's responsibility is to make a determination regarding the Holding Company's compliance with the FCC Rules based on our limited review performance audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG 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 DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed two detailed audit findings (Finding) in the Detailed Audit Findings 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.

Certain information may have been omitted from this report concerning communications with Universal Service Administrative Company (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 Holding Company, 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.

Sincerely,

DP George & Company, LLC

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.201(b) (2019) – Subscribers Outside of Service Area. The Holding Company claimed subscribers on its LCS submission who reside outside the service area designated by the state commission.	$4,780
Finding #2: 47 C.F.R. § 54.417(a) (2019) – Lack of Documentation: Subscriber Pass-Through Documentation. The Holding Company lacked documentation or data retention procedures to ensure the proper retention of subscriber billing information.	$1,178
Total Monetary Effect	**$5,958**

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.

OBJECTIVE, SCOPE, BACKGROUND, AND METHODOLOGY

OBJECTIVE

The objective of our audit was to determine whether the Holding Company complied with the FCC Rules.

SCOPE

The following chart summarizes the Lifeline program support the Holding Company received based on its Lifeline Claim System (LCS) submissions for the 18-month period from January 2020 through June 2021 (the audit period):

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
109017	ME	Non-Tribal Lifeline	53	$2,789
179019	PA	Non-Tribal Lifeline	364	$29,397
189020	MD	Non-Tribal Lifeline	104	$6,983
209026	WV	Non-Tribal Lifeline	124	$4,236
249022	SC	Non-Tribal Lifeline	220	$13,027
269034	KY	Non-Tribal Lifeline	389	$18,048
279032	LA	Non-Tribal Lifeline	217	$9,090
319037	MI	Non-Tribal Lifeline	294	$20,369
339040	WI	Non-Tribal Lifeline	128	$6,262
339040	WI	Tribal Lifeline	1	$150
359143	IA	Non-Tribal Lifeline	155	$7,021
369028	MN	Non-Tribal Lifeline	68	$4,393
409015	AR	Non-Tribal Lifeline	140	$6,015
429016	MO	Non-Tribal Lifeline	335	$23,009
439049	OK	Non-Tribal Lifeline	82	$4,061
439049	OK	Tribal Lifeline	82	$10,935
449075	TX	Non-Tribal Lifeline	282	$22,514

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
459027	AZ	Non-Tribal Lifeline	261	$16,892
459027	AZ	Tribal Lifeline	5	$167
469016	CO	Non-Tribal Lifeline	271	$23,965
549020	CA	Non-Tribal Lifeline	8,427	$828,398
559018	NV	Non-Tribal Lifeline	198	$12,281
Total			**12,200**	**$1,070,002**

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

BACKGROUND

The Holding Company operates as a competitive eligible telecommunications carrier (ETC) in all the states identified in the Scope table above.

METHODOLOGY

DPG performed the following procedures:

A. Lifeline Claim System
DPG obtained and examined the Holding Company's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Holding Company's data files. DPG 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 Holding Company's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased 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
DPG obtained an understanding of the Holding Company's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Holding Company complied with Program Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier results for 409 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households
DPG obtained an understanding of the Holding Company's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Holding Company to comply with the Independent Economic Household (IEH) requirements. DPG obtained and tested documentation or National Verifier

results for 126 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts
DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 409 subscribers.

E. Form 555
DPG obtained and examined the Holding Company's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Holding Company's data files.

F. Usage Process
DPG obtained an understanding of the Holding Company's usage process relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 211 subscribers to determine whether the Holding Company properly validated continued use of the Lifeline-supported service. The Scope of this audit did not include an assessment of the Holding Company's systems that provision, process, and monitor subscribers' usage activities.

G. Minimum Service Standard
DPG obtained an understanding of the minimum services offered by the Holding Company. DPG examined the Holding Company's evidence of the level of service provided for 409 subscribers to determine whether the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

H. Reseller-based Telecommunication Providers
DPG obtained an understanding of the Holding Company's leased phone lines relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation to determine whether the Holding Company properly claimed Lifeline Program subscribers that used the leased phone lines.

I. Enrollment Representative Accountability
DPG obtained an understanding of the Holding Company's enrollment representative process relating to the Lifeline program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for four enrollment representatives to determine whether the Holding Company compensates its enrollment representatives on a commission basis.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.201(b) (2019) – Subscribers Outside of Service Area

CONDITION

DPG obtained and examined the Holding Company's LCS submission used to support the number of Lifeline claims and mapped the location of each subscriber's address to determine whether the Holding Company provided services to subscribers who resided in the areas where it was designated as an ETC.[1] DPG examined the ETC orders for the 19 Study Area Codes (SACs) under audit to identify the designated service area and determined that for one SAC (SAC 429016), the Holding Company claimed subscribers whose address fell outside of the designated service area for their respective SAC. DPG identified a total of 77 such subscribers who were located at 77 addresses outside their designated service area.

The Missouri Public Service Commission designated the service area for SAC 429016 based on the exchange boundaries for the following ILEC listed in the Holding Company's ETC Designation Order: Southwestern Bell Telephone Company, L.P., d/b/a AT&T Missouri.[2]

CAUSE

The Holding Company did not have an adequate process in place to ensure it claimed support for eligible subscribers who resided within its designated service area.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
429016	Non-Tribal Lifeline	$4,780
	Total:	**$4,780**

DPG calculated the monetary effect of $4,780 by first determining the number of instances (months) where the documentation provided did not support the monthly claim. DPG identified a total of 517 instances. DPG multiplied the instances by the support amount requested in the LCS submission and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Non-Tribal Lifeline	516	$9.25	$4,773
Non-Tribal Lifeline	1	$7.25	$7
		Total:	**$4,780**

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above.

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[1] *See* 47 C.F.R. § 54.201(b) (2019)

[2] *See* In the Matter of the Application of dPi Teleconnect, LLC for Designation as Eligible Telecommunications Carrier, File No. CO-2010-0054 (Missouri Public Service Commission, Issue Date January 29, 2011)

DPG also recommends that the Holding Company implement policies and procedures to ensure that it adheres to the FCC Rules and only seeks universal support for eligible subscribers within its ETC designated service area in accordance with the FCC Rules. In addition, the Holding Company 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/.

HOLDING COMPANY RESPONSE

The Holding Company declined to provide a response for this finding.

Finding #2: 47 C.F.R. § 54.417(a) (2019) – Lack of Documentation: Subscriber Pass-Through Documentation

CONDITION

DPG obtained and examined (when provided) monthly billing documentation to evidence the pass-through of Lifeline support for a statistically based sample of 409 subscribers where the Holding Company was responsible for evidencing pass-through of the Lifeline benefit. DPG identified 53 subscribers for whom no documentation was provided to demonstrate pass-through of the support.[3]

CAUSE

The Holding Company did not have adequate documentation or data retention procedures to ensure the proper retention of pass-through of Lifeline service or credits.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
109017	Non-Tribal Lifeline	$28
179019	Non-Tribal Lifeline	$109
189020	Non-Tribal Lifeline	$9
209026	Non-Tribal Lifeline	$28
249022	Non-Tribal Lifeline	$9
269034	Non-Tribal Lifeline	$18
279032	Non-Tribal Lifeline	$18
319037	Non-Tribal Lifeline	$28
339040	Non-Tribal Lifeline	$9
359143	Non-Tribal Lifeline	$28
409015	Non-Tribal Lifeline	$61
429016	Non-Tribal Lifeline	$18
439049	Tribal Lifeline	$377
449075	Non-Tribal Lifeline	$24
459027	Non-Tribal Lifeline	$19
469016	Non-Tribal Lifeline	$9
549020	Non-Tribal Lifeline	$377

[3] *See* 47 C.F.R. § 54.403(a) (2019)

SAC Number	Support Type	Monetary Effect and Recommended Recovery
559018	Non-Tribal Lifeline	$9
	Total:	**$1,178**

DPG calculated the monetary effect of $1,178 by first determining the number of instances (months) where the documentation provided did not support the monthly claim. DPG identified a total of 100 instances. DPG multiplied the instances by the support amount requested in the LCS submission and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Tribal Lifeline	11	$34.25	$377
Non-Tribal Lifeline	78	$9.25	$721
Non-Tribal Lifeline	11	$7.25	$80
		Total:	**$1,178**

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above.

DPG also recommends that the Holding Company establish documentation retention procedures to ensure that pass-through documentation is maintained in accordance with FCC Rules.

HOLDING COMPANY RESPONSE

The Holding Company declined to provide a response for this finding.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.201(b) (2019)	"(b) A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission."
#1	In the Matter of the Application of dPi Teleconnect, LLC for Designation as Eligible Telecommunications Carrier, File No. CO-2010-0054 (Missouri Public Service Commission, Issue Date January 29, 2011)	"THE COMMISSION ORDERS THAT:…dPi Teleconnect, LLC shall receive an amendment to its eligible telecommunications carrier status so that it may provide wireless service throughout the Southwestern Bell Telephone Company, L.P., d/b/a AT&T Missouri service territories, as set forth in Exhibit B to its application, under the provisions of 47 U.S.C. §§ 214 and 254, to receive low-income federal universal service fund support, including the receipt of Lifeline and Linkup support."
#2	47 C.F.R. § 54.417(a) (2019)	"Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Eligible telecommunications carriers must maintain the documentation required in … [47 C.F.R. §] 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years."
#2	47 C.F.R. § 54.403(a) (2019)	"(a) The federal Lifeline support amount for all eligible telecommunications carriers shall equal: (1) Basic support amount. Federal Lifeline support in the amount of $9.25 per month will be made available to an eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer, except as provided in paragraph (a) (2)of this section, if that carrier certifies to the Administrator that it will pass through the full amount of support to the qualifying low-income consumer and that it has received any non-federal regulatory approvals necessary to implement the rate reduction. (2) For a Lifeline provider offering either standalone voice service, subject to the minimum service standards set forth in § 54.408, or voice service with broadband below the minimum standards set forth in § 54.408, the support levels will be as follows: (i) Until December 1, 2019, the support amount will be $9.25 per month. (ii) From December 1, 2019 until November 30, 2020, the support amount will be $7.25 per month. (3) Tribal lands support amount. Additional federal Lifeline support of up to $25 per month will be made available to an eligible telecommunications carrier providing facilities-based Lifeline service to an eligible resident of Tribal lands, as defined

Finding	Criteria	Description
		in § 54.400(e), if the subscriber's residential location is rural, as defined in § 54.505(b)(3)(i) and (ii), and the eligible telecommunications carrier certifies to the Administrator that it will pass through the full Tribal lands support amount to the qualifying eligible resident of Tribal lands and that it has received any non-federal regulatory approvals necessary to implement the required rate reduction.”

This concludes the report.

Attachment D

LI2023LR011

DP George & Company

T-Mobile USA, Inc.

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

USAC Audit No. LI2023LR011

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DP George & Company

EXECUTIVE SUMMARY

March 5, 2025

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of T-Mobile USA, Inc. (Beneficiary), for all study area codes (SACs) where the Beneficiary claimed subscribers during July 2021 – June 2022, using the Federal Communications Commission (FCC) 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 FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG 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 DPG's findings and conclusions based on the audit objectives

Based on the test work performed, our audit did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with Universal Service Administrative Company (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.

Sincerely,

DP George & Company, LLC

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division

AUDIT RESULT AND RECOVERY ACTION

Based on the test work performed, our audit did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

OBJECTIVE, SCOPE, BACKGROUND, AND METHODOLOGY

OBJECTIVE

The objective 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 Claim System (LCS) submissions for the 12-month period from July 2021 through June 2022 (the audit period):

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
179014	PA	Non-Tribal Lifeline	1,106	$85,499
199016	VA	Non-Tribal Lifeline	154	$11,131
219013	FL	Non-Tribal Lifeline	4,227	$378,340
269024	KY	Non-Tribal Lifeline	43	$3,200
289029	MS	Non-Tribal Lifeline	13	$695
369014	MN	Non-Tribal Lifeline	198	$13,712
529013	WA	Non-Tribal Lifeline	292	$19,542
639003	PR	Non-Tribal Lifeline	1,673	$146,540
Total			**7,706**	**$658,659**

Notes:
The amount of support listed above reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary operates as a competitive eligible telecommunications carrier (ETC) in all the states identified in the Scope table above.

METHODOLOGY

DPG performed the following procedures:

A. Lifeline Claim System

DPG obtained and examined the Beneficiary's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Beneficiary's data files. DPG 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 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. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate that the Beneficiary passed through Lifeline program support for 1,547 LCS claims between 169 subscribers as monthly bill credits or the allotment of minutes and/or data and confirmed whether the amount agreed to its LCS claims.

C. Usage Process

DPG obtained an understanding from the Beneficiary whether it assessed and collected a monthly fee from its subscribers. The Beneficiary asserted that it offered plans that assessed and collected a monthly fee and plans that did not assess and collect a monthly fee.

For plans where the Beneficiary asserted that it assessed and collected a monthly fee, DPG reviewed the terms of the plans to identify if any fees were assessed and collected on a multi-month prepaid or annual basis. DPG identified no such fees. DPG confirmed for 136 subscribers that the Beneficiary collected fees monthly.

For plans where the Beneficiary asserted that it did not assess and collect a monthly fee, DPG obtained and examined documentation for 33 subscribers to evaluate whether the Beneficiary monitored subscribers' accounts for evidence of valid usage activities per the FCC Rules, and only claimed in LCS the subscribers who used the service within the last 30 days or cured their non-usage. The Scope of this audit did not include an assessment of the Beneficiary's systems that provision, process, and monitor subscribers' usage activities.

D. Minimum Service Standard

DPG obtained and examined the Beneficiary's evidence of the level of service provided for 169 subscribers to determine whether the Beneficiary provided eligible services that met minimum service standards, and the related amount claimed in the LCS agreed with the amount permitted based on the service offerings to its Lifeline subscribers.

E. Reseller-based Telecommunication Providers

DPG obtained and examined documentation to determine whether the Beneficiary is a reseller of telecommunication services, and if so, DPG compared the number of leased lines to the number of subscribers claimed in the LCS. The evidence confirmed that the Beneficiary is not a reseller of telecommunications.

F. Enrollment Representative Accountability

DPG obtained an understanding from the Beneficiary whether they have internal and/or external enrollment representatives and assessed the Beneficiary's enrollment representative process relating to the Lifeline program to determine whether the Beneficiary complied with the FCC Rules. DPG obtained and examined documentation for two enrollment representatives to determine whether the Beneficiary compensates its enrollment representatives on a commission basis.

This concludes the report.