High Cost & Low Income Committee

Audit Reports Briefing Book

Monday, July 28, 2025

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Universal Service Administrative Company

700 12th Street, NW, Suite 900

Washington, DC, 20005

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A BrightSpeed (United Inter-MT-VA)	2	• No significant findings.	$103,700,208	$0	$0	Partial
Attachment B Panora Communications Cooperative	0	• Not applicable.	$1,240,704	$0	$0	N/A
Attachment C Micronesian Telecom	1	• No significant findings.	$17,991,578	$0	$0	N
Total	**3**		**$122,932,490**	**$0**	**$0**	

Attachment A

HC2021MO038

BrightSpeed (United Inter-MT-VA)

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

USAC Audit No. HC2021MO038

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EXECUTIVE SUMMARY

January 17, 2025

Dan Ostroff, Manager
Brightspeed of Appalachia, LLC
P.O. Box 1330
Fayetteville, NC 28302-1330

Dear Dan Ostroff:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of BrightSpeed (United Inter-MT-VA) (Beneficiary), for the study area codes (SAC) and disbursements described in the Purpose, Scope and Procedures section, for the periods January 1, 2015 through December 31, 2021 for Connect America Fund (CAF) Phase II Model (CAF II Model) 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
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	CAF II Model Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.309(a)(1) (2019) - Locations Did Not Meet Public Interest Obligations. The Beneficiary failed to comply with the location eligibility requirements for two out of 83 units selected.	$0
Finding #2: FCC DA 16-1363 (2016) – Inaccurate Location Information Reported on the HUBB. The Beneficiary reported incorrect addresses for sixteen locations in the HUBB.	$0
Total	**$0**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 190567, 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.

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 II Model support.

SCOPE

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

SAC State	SAC	CAF II Model Support	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	No. of Units Tested
Virginia	190567	$103,700,208	53,489	55,611	83

BACKGROUND

The Beneficiary is a price cap eligible telecommunications carrier (ETC) that operates in the states identified in the Scope table above. In 2022, the FCC approved the transfer of control of Lumen's (formerly CenturyLink) incumbent local exchange carriers and their assets in 20 states to BrightSpeed, including Virginia. [2]

PROCEDURES

AAD performed the following procedures:

A. Deployment Milestone Requirements

AAD compared the number of units[3] the Beneficiary reported and certified in the HUBB portal at the last milestone to determine whether the Beneficiary satisfied the requirements based on the FCC's support authorization letter.[4]

B. Broadband Deployed using CAF Phase I vs. CAF II Model Support

AAD compared the locations reported and certified for CAF II Model to the locations the Beneficiary reported and certified for CAF Phase I Round 2 to determine whether the Beneficiary included locations deployed using CAF Phase I Round 2 as part of its CAF II Model support build-out obligations.[5]

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[1] CAF Phase II Model support was initially authorized through December 31, 2020, but the FCC extended the support term for an additional year, through the end of 2021. The FCC provided the carriers with an opportunity to submit updates to the locations reported and certified in the High Cost Universal Broadband portal submission by March 1, 2022.

[2] In 2022, the FCC approved the transfer of control of Lumen's (formerly CenturyLink) incumbent local exchange carriers and their assets in 20 states to BrightSpeed, including Virginia. *See Lumen Technologies, Inc. and Connect Holding, LLC Application for Consent to Transfer Control,* WC Docket No. 21-350, Memorandum Opinion and Order and Declaratory Ruling, 37 FCC Rcd 9523 (WCB 2022).

[3] 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. *See Connect America Fund et al., Report and Order et al.*, 31 FCC Rcd 3087, at 3164, para. 211 (2016) (*Rate-of-Return Reform Order*). *See also Guidance on Location Reporting*, DA 16-1363, note 11.

[4] *See Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (WCB April 29, 2015).

[5] *See Connect America Fund ETC Annual Reports and Certifications, Rural Broadband Experiments,* Order, FCC 16-28 (WCB Mar. 9, 2016).

C. 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.

AAD also contracted the services of a professional engineering firm, CN Ventures, 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.

D. Location Eligibility, Address and Coordinates

AAD examined the locations[6] 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 using mapping software and other data analysis techniques and determining whether those geocodes existed within the carrier's eligible census blocks. In addition, AAD assessed whether the locations meet the FCC deployment criteria, and that service can be provided within 10 business days upon request.[7] AAD also confirmed whether the locations were reported and certified accurately in the HUBB portal by the correct count of units, unique latitude, and longitude coordinates, and appear to be eligible structures.[8]

E. 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (including VoIP, less than 100 milliseconds), whether the broadband service's usage capacity was reasonably comparable to offerings in urban areas and assessing rates that are reasonably comparable to offerings in urban areas.[9]

F. Site Visits

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

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[6] A location is one pair of geographic coordinates.

[7] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, note 11 (Wireline Comp. Bur. December 8, 2016).

[8] *Guidance on Location Reporting*, DA 16-1363, p. 6.

[9] *See* 47 C.F.R. § § 54.309(a)(1), 54.310(c), and 54.320(d)(2) (2019).

G. 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.

H. Take Rate Analysis

AAD examined the results of the USAC Data Team and FCC analysis using PMM data to identify subsidized census blocks with low subscribership. AAD inquired with the Beneficiary to gain an understanding of why these census blocks with broadband deployment have very few subscribers. AAD ascertained whether the Beneficiary's explanations were reasonable.

DETAILED AUDIT FINDINGS

FINDING #1: 47 C.F.R. § 54.309(a)(1) (2019) – Locations Did Not Meet Public Interest Obligations

CONDITION

AAD selected a statistically valid sample of 83 units (76 locations) that the Beneficiary reported and certified in the HUBB portal for the CAF II Model at the 100 percent milestone and, using an independent engineering firm, performed physical inspections to determine whether the locations were eligible for CAF II Model 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds) as required by FCC Rules.[10] The Beneficiary deployed broadband to locations without eligible structures as detailed below:

Sample Size in Units	Failure Description	No. of Units Failures
83	No eligible structure	4

The FCC has provided guidance to beneficiaries on what locations should and should not be reported as eligible locations.[11] The Beneficiary claimed that three of the four locations are not abandoned structures due to a lack of power at the time of the audit. However, during the site visit physical inspection, the structures had no visible, active electrical power, and one of the structures under construction is not considered an eligible location. Pursuant to DA-16-1363, carriers must not report structures that are open to elements, vacant structures that are condemned or under construction in the HUBB.[12] Because the locations are not an 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 CAF II Model support.

CAUSE

The Beneficiary believed it included locations 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:[13]

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[10] 47 C.F.R. § 54.309(a) (2019),

[11] *Guidance on Location Reporting,* DA 16-1363, p. 6.

[12] *See Guidance on Location* Reporting, DA 16-1363.

[13] Rounded to the nearest unit.

No. of Failures (A)	Failure Rate[14] (B)	No. of Units Reported and Certified in the HUBB as of 3/1/2022 (C)	Obligation Requirement (D)	Extrapolation of Units with Errors (E)= (B)*(C)	Units in Excess /(Shortfall) of Obligation (F) = (C)-(A)-(D)-(E)
4	6.50%	55,611	49,993	3,609	2,005

While the Beneficiary was required to deploy broadband to the number of units in Virginia, the Beneficiary reported and certified deployment to locations above the requirement. Therefore, even with the extrapolated (expected) units with errors of 3,609, the remaining population certified in the HUBB exceeded the number of locations 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 E above, AAD concluded that the Beneficiary met the 100 percent milestone for Virginia.

RECOMMENDATION

AAD recommends that USAC Management make the necessary adjustments in the HUBB for the four failed locations.

BENEFICIARY RESPONSE

In the audit report, USAC alleges four net failures for the following locations:
1 – Count 12; Stop 69; 117 Brookside Ln
2 – Count 29; Stop 12; 198 Keyes Mill Rd
3 – Count 36; Stop 36; 1071 Swinging Bridge Rd
4 – Count 44; Stop 52; 282 Stayman Ln

As noted below, Lumen concurs with this finding with respect to one of the locations (Count 29, Stop 12) but disputes this finding as to the other three locations and asks USAC to reconsider the finding as to those locations.

1 - Count 12; Stop 69; 117 Brookside Ln

Response: Lumen disputes the assertion that 117 Brookside Lane is an “abandoned structure” that does not qualify as an eligible CAF Phase II location due to an alleged lack of power at the time of the audit. Lumen respectfully requests that USAC reverse the finding that there is not an eligible structure at this address because the structure at this address meets the FCC’s eligibility requirements for CAF Phase II locations. The structure is not open to the elements, i.e., the roof, walls, windows, and doors are intact, and there is no indication that the structure has been condemned or is to be demolished, e.g., a sign on the structure indicating as much. Moreover, this location is listed as a broadband eligible location on the FCC’s National Broadband Map and Lumen staff captured images, see attached VA 12, in March 2024 and May 2024 showing that someone has been compiling household

[14] 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.

items outside the front of the structure, a clear indication that someone has been at and/or using this location, meaning that this location has not been "abandoned."

It is Lumen's understanding that USAC and CN Ventures consider this structure to be "abandoned" solely because there is no power. However, the FCC has not defined the term "abandoned" with respect to its guidance on eligible CAF Phase II locations, and it has not stated that a lack of power to a home makes it an ineligible structure. Instead, the FCC has said that "a location need not be occupied when being reported as a served location, but it cannot be abandoned, derelict, condemned, or otherwise uninhabitable," and "that a location need not be occupied to be counted as a served location so long as the location has not been condemned or to be demolished or such location is 'open to the elements' such that 'the roof, walls, windows, and/or doors no longer protect the interior from the elements.'" *Wireline Competition Bureau Seeks Comment on Procedures to Identify and Resolve Location Discrepancies in Eligible Census Blocks Within Winning Bid Areas*, WC Docket No. 10-90, Public Notice, 33 FCC Rcd 8620, 8623, para. 8 & n.30 (WCB 2018) (citing *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations*, Public Notice, 31 FCC Rcd 12900, 12905 (WCB 2016)). *See also Connect America Fund*, WC Docket No. 10-90, Order, 34 FCC Rcd 10395, para. 18 (WCB 2019) (stating that "qualifying locations cannot be abandoned, derelict, condemned, or otherwise uninhabitable" in 2019, but neglecting to provide an additional definition for the term "abandoned"). Moreover, even if the FCC had required CAF Phase II participants to demonstrate that power was on at each location for it to be considered eligible, neither CN Ventures nor USAC have provided evidence that power was not on at this location during the CAF Phase II program, which ended December 31, 2021.

Given that this location has intact roof, walls, windows, and doors and there is no indication that it is to be demolished, Lumen respectfully requests that USAC reverse the finding that this location is an ineligible "abandoned structure" due to a lack of power at the time of the audit.

2 - Count 29; Stop 12; 198 Keyes Mill Rd
Response: Lumen concurs that there is no structure at this address.

3 - Count 36; Stop 36; 1071 Swinging Bridge Rd
Response: Lumen disputes the assertion that 1071 Swinging Bridge Road is an "abandoned structure" that does not qualify as an eligible CAF Phase II location due to a lack of power at the time of the audit. Lumen respectfully requests that USAC reverse the finding that there is not an eligible structure at this address because the structure at this address meets the FCC's eligibility requirements for CAF Phase II locations. The structure is not open to the elements, i.e., the roof, walls, windows, and doors are intact, and there is no indication that the structure has been condemned or is to be demolished, e.g., a sign on the structure indicating as much. Moreover, this location is listed as a broadband eligible location on the FCC's National Broadband Map; property taxes have been paid annually between 2018 and 2022, see attached image from the Campbell County website; and Lumen staff captured images, attached in VA36, demonstrating that someone has added a "no trespassing sign" on the property, a trailer is on the property, and the grounds are being maintained, e.g., the grass is mowed. The yardwork is a clear indication that someone has been at and/or using this location, meaning that this location has not been "abandoned."

It is Lumen's understanding that USAC and CN Ventures consider this structure to be "abandoned" solely because there allegedly is no power. However, as noted, the FCC has not defined the term "abandoned" with respect to its guidance on eligible CAF Phase II locations, and it has not stated that a lack of power to a home makes it an ineligible structure. Instead, the FCC has said that "a location need not be occupied when being reported as a served location, but it cannot be abandoned, derelict, condemned, or otherwise uninhabitable," and "that a location need not be occupied to be counted as a served location so long as the location has not been condemned or to be demolished or such location is 'open to the elements' such that 'the roof, walls, windows, and/or doors no longer protect the interior from the elements.'" *Wireline Competition Bureau Seeks Comment on Procedures to Identify and Resolve Location Discrepancies in Eligible Census Blocks Within Winning Bid Areas*, WC Docket No. 10-90, Public Notice, 33 FCC Rcd 8620, 8623, para. 8 & n.30 (WCB 2018) (citing *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations*, Public Notice, 31 FCC Rcd 12900, 12905 (WCB 2016)). *See also Connect America Fund*, WC Docket No. 10-90, Order, 34 FCC Rcd 10395, para. 18 (WCB 2019) (stating that "qualifying locations cannot be abandoned, derelict, condemned, or otherwise uninhabitable" in 2019, but neglecting to provide an additional definition for the term "abandoned"). Moreover, even if the FCC had required CAF Phase II participants to demonstrate that power was on at each location for it to be considered eligible, neither CN Ventures nor USAC have provided evidence that power was not on at this location during the CAF Phase II program, which ended December 31, 2021.

Given that this location has intact roof, walls, windows, and doors and there is no indication that it is to be demolished, Lumen respectfully requests that USAC reverse the finding that this location is an ineligible "abandoned structure" due to a lack of power at the time of the audit.

4 - Count 44; Stop 52; 282 Stayman Ln

Response: Lumen disputes the assertion that 282 Stayman Lane is an "abandoned structure" that does not qualify as an eligible CAF Phase II location due to a lack of power at the time of the audit. Lumen respectfully requests that USAC reverse the finding that there is not an eligible structure at this address because the structure at this address meets the FCC's eligibility requirements for CAF Phase II locations. The structure is not open to the elements, i.e., the roof, walls, windows, and doors are intact, and there is no indication that the structure has been condemned or is to be demolished, e.g., a sign on the structure indicating as much. See VA 44 for pictures of the structure. Moreover, this location is listed as a broadband eligible location on the FCC's National Broadband Map.

It is Lumen's understanding that USAC and CN Ventures consider this structure to be "abandoned" solely because there is no power. However, as noted, the FCC has not defined the term "abandoned" with respect to its guidance on eligible CAF Phase II locations, and it has not stated that a lack of power to a home makes it an ineligible structure. Instead, the FCC has said that "a location need not be occupied when being reported as a served location, but it cannot be abandoned, derelict, condemned, or otherwise uninhabitable," and "that a location need not be occupied to be counted as a served location so long as the location has not been condemned or to be demolished or such location is 'open to the elements' such that 'the roof, walls, windows, and/or doors no longer protect the interior from the elements.'" *Wireline Competition Bureau Seeks Comment on Procedures to Identify and Resolve Location Discrepancies in Eligible Census Blocks Within Winning Bid Areas*, WC Docket No. 10-90, Public Notice, 33 FCC Rcd 8620, 8623, para. 8 & n.30 (WCB 2018) (citing *Wireline Competition*

Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations, Public Notice, 31 FCC Rcd 12900, 12905 (WCB 2016)). *See also Connect America Fund*, WC Docket No. 10-90, Order, 34 FCC Rcd 10395, para. 18 (WCB 2019) (stating that "qualifying locations cannot be abandoned, derelict, condemned, or otherwise uninhabitable" in 2019, but neglecting to provide an additional definition for the term "abandoned"). Moreover, even if the FCC had required CAF Phase II participants to demonstrate that power was on at each location for it to be considered eligible, neither CN Ventures nor USAC have provided evidence that power was not on at this location during the CAF Phase II program, which ended December 31, 2021.

Given that this location has intact roof, walls, windows, and doors and there is no indication that it is to be demolished, Lumen respectfully requests that USAC reverse the finding that this location is an ineligible "abandoned structure" due to a lack of power at the time of the audit.

AAD RESPONSE

In its response, the Beneficiary disputed three of the four failed units categorized as being abandoned structures, by providing photographic evidence to support its claim that the locations have intact structural aspects (roof, walls, windows, and doors to protect it from outside elements) with no indication that they are condemned or are to be demolished, which are factors to disqualify a location from being eligible for support … that "a location need not be occupied when being reported as a served location, but it cannot be abandoned, derelict, condemned, or otherwise uninhabitable… The FCC has not considered lack of power to be a factor to disqualify a location from being eligible for CAF Phase II funding, nor has the FCC defined specific characteristics to consider a structure to be abandoned."

AAD obtained and reviewed the engineering firm assessment for the three units/locations the Beneficiary is disputing. In its assessment, the engineering firm affirms these locations are currently vacant as no power meter is installed at the locations, deteriorated, and applied the law definition as abandoned structure from Law Insider Dictionary.[15] AAD reviewed the evidence provided by the Beneficiary and the engineering firm assessment for the three units and locations and does agree that the structure for the two disputed locations appear to be intact (i.e., not open to the elements with roof, walls, windows, and/or doors) and not condemned or to be demolished (often indicated by a sign on the structure), further, the locations appear to be served per the FCC Broadband Data Collection Map. However, for one location, based on the engineering firm's site visit observations, the unit/location is under construction, and it is not included as served in the

[15] CN Ventures Memo to Jeanette Santana-Gonzalez, AAD, Jan. 30, 2025.

FCC Broadband Data Collection Map.[16] Therefore, USAC will adjust the effect for two out of three disputed locations not to be considered failures, as follows.

Revised Effect:

No. of Failures (A)	Failure Rate[17] (B)	No Units Reported and Certified in the HUBB as of 3/1/2022 (C)	Obligation Requirement (D)	Extrapolation of Units with Errors (E)= (B)*(C)	Units in Excess /(Shortfall) of Obligation (F) = (C)-(A)-(D)-(E)
2	3.25%	55,611	49,993	1,807	3,811

As stated in the Effect section on page 8, the Beneficiary reported and certified units in the HUBB that did not meet the performance obligations per the errors noted in column E above, AAD concluded that the Beneficiary continued to meet the 100 percent milestone for Virginia. Therefore, AAD recommends that USAC Management make the necessary adjustments in the HUBB for the two failed locations.

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

CONDITION

AAD selected a statistically valid sample of 83 units (76 locations) that the Beneficiary reported and certified in the HUBB portal for the CAF II Model at the 100 percent milestone and performed physical inspections to determine whether the locations were eligible for CAF II Model 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 10 Mbps downstream/1 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.[18] The Beneficiary reported inaccurate address locations or reported inaccurate geocoordinates (greater than 36 feet) for 16 units in its HUBB data submission for CAF II Model, as detailed in the table below.[19]

[16] *Guidance on Location Reporting,* DA 16-1363, p. 6. ("Do Not report…Houses or buildings under construction.").
[17] 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.
[18] *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.
[19] *Id*.

Inaccurate Address	Inaccurate Geocoordinates	Both	Total No Failures by Unit
11	5	0	**16**

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 that the information reported and certified on the HUBB by the Beneficiary was inaccurate or contained errors. However, there is no monetary effect for this finding, as the Beneficiary was able to reconcile the differences and AAD validated the correct geocoordinates.

RECOMMENDATION
AAD recommends that USAC Management make the necessary adjustments in the HUBB for the 16 failed units/locations.

BENEFICIARY RESPONSE
Lumen concurs with the address and geo coding discrepancies noted in the report.

CRITERIA

Finding No.	Criteria	Description
#1	47 C.F.R. § 54.309(a) (2019)	Recipients of Connect America Phase II support are required to offer broadband service with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas. For purposes of determining reasonable comparable usage capacity, recipients are presumed to meet this requirement if they meet or exceed the usage level announced by public notice issued by the Wireline Competition Bureau. For purposes of determining reasonable comparability of rates, recipients are presumed to meet this requirement if they offer rates at or below the applicable benchmark to be announced annually by public notice issued by the Wireline Competition Bureau, or no more than the non-promotional prices charged for a comparable fixed wireline service in urban areas in the state or U.S. Territory where the eligible telecommunications carrier receives support. (1) Recipients of Connect America Phase II model-based support are required to offer broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream.

Finding No.	Criteria	Description
#1	47 CFR 54.310(c)(1) (2019)	For purposes of meeting the obligation to deploy to the requisite number of supported locations in a state, recipients of Connect America Phase II model-based support may serve unserved locations in census blocks with costs above the extremely high-cost threshold instead of locations in eligible census blocks, provided that they meet the public interest obligations set forth in § 54.309(a) introductory text and (a)(1) for those locations and provided that the total number of locations covered is greater than or equal to the number of supported locations in the state.
#1	*Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* 31 FCC Rcd 12900 (15), 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) Boats, recreational vehicles (RVs), tents, caves, and similar types of shelter that no one is using as a residence
#1	*Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, pages 11-12 (Wireline Comp. Bur. December 8, 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.

Finding No.	Criteria	Description
#2	*Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, pages 11-12 (Wireline Comp. Bur. December 8, 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
#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 – CN VENTURES

USAC High-Cost Broadband Network & Engineering Audit Services Task

Order: HCB07 – Contract: HC2021MO038

Virginia 190567

May 10, 2024

TABLE OF CONTENTS

EXECUTIVE SUMMARY

USAC identified a sample of 76 addresses (83 units) for validation across a single study area code (SAC). Connected Nation Ventures (CNV) performed validations in SAC 190567. The parameters of all locations and units were Speed Tier 3 (10 Mbps download x 1 Mbps upload). One of the 76 addresses was served by Fiber-to-the-Home technology, 75 are served by VDSL.

Carrier	State	SAC	Total Locations Tested	Total Units Tested	Total Fails (units)	KPI Fails	No Network Connection Fails	Ineligible Structures Fails	Address/Geocode Issue (Units)
Brightspeed (United Inter-MT-VA)	VA	190567	76	83	20	0	0	4	16

Field testing was conducted in April and May 2024.

CNV performed the confirmation of the reported HUBB location to include correct geocoding, structure met eligibility requirements, and verified distance variance was not more than 36 feet. CNV performed the KPI testing as described and found 76 locations passing the KPI speed and latency requirements. Using the navigation device, the reported HUBB coordinates compared to the reported HUBB address created a challenge on some locations that was resolved by physically verifying the address on the structure or mailbox. CNV discovered twenty exceptions; five (5 units) HUBB-supplied addresses had the correct address, but the latitude and longitude were incorrect. The reported HUBB addresses 1575 Byrnes Chapel Rd, Bland; 934 Greasy Creek Rd, Wytheville; 119 Willow Oak Ln, Elk Creek; 3537 Kindreck Rd, Mouth of Wilson; and 22145 Campbell Hollow Rd, Abington had incorrect latitude and longitude and the correct address. Eight (10 units) HUBB-supplied addresses had the wrong address: 6397 Pig Mountain Rd, Free Union was corrected to 6088 Wesley Chapel Rd, Free Union; 435 Afton Pond Ct, Charlottesville was corrected to 1975 Cottage Ln, Charlottesville (3units); 1035 White Rock Rd, Scottsville was corrected to 1021 White Rock Rd, Scottsville; 55 Betts Park Blvd, South Hill was corrected to 88 Betts Park Blvd, South Hill; 15372 Callands Rd, Callands was corrected to 15368 Callands Rd, Callands; 188 Microfilm Rd, Bassett was corrected to 114 Microfilm Rd, Bassett; 1900 Atkins Mill Rd, Wytheville was corrected to 310 Atkins Mill Rd, Wytheville; and 21758 Jeb Stuart Hwy, Damascus was corrected to 21724 Jeb Stuart Hwy, Damascus. One (1 unit) HUBB-supplied Geo Code location reported had the GPS take CNV to a different location and no mailbox was found to confirm 75 Spangler Ln, Bentonville. One (1 unit) HUBB-supplied location (Geo Code and address) had no structure present: 198 Keys Mill Rd, Buena Vista. Three (3 units) HUBB-supplied locations (Geo Code and address) were abandoned structures with no electricity: 1071 Swinging Bridge Rd, Gladys; 282 Stayman Ln, Stuart; and 117 Brookside Ln, Independence.

TESTING PROCESS

Pre-Visit Site Planning

The engineering review was completed to validate the physical location of all 76 sample addresses and research the available broadband services; this work was divided into a geocoding review and a carrier website review. The geocoding review included:

- Geocoding each address to find its physical location (the CNV location);
- Reviewing the location against the carrier's submitted coordinates to see if the location is comparable (i.e., within the same parcel boundary, within 36 feet of each other, etc.);
- Confirming the CNV location for each address is within the Connect America Fund (CAF) Phase 2 eligible area;

- Reviewing if the CNV location for each address is within a high-cost area, which impacts other review parameters;
- Confirmed there were no duplicate address locations.

The carrier website review included:

- Confirming the address is listed as being served per carrier website;
- Confirming the address has at least the minimum speed tier available, per the requirements;
- If the address is within a high-cost area, confirming the monthly price to the consumer is less than $84;
- If the address is within a high-cost area, confirming the consumer would have unlimited data.

Any address that failed the engineering review was sent to the carrier for review and feedback. Below is the list of addresses that failed at least one part of the engineering review.

Address	City	Original Geocode	Failure Type(s)	Resolution
6397 PIG MOUNTAIN RD	FREE UNION	38.20538, -78.5844	Wrong Address	6088 WESLEY CHAPEL RD
435 AFTON POND CT	CHARLOTTESVILLE	37.98303, -78.4287	Wrong Address	1975 COTTAGE LN
1035 WHITE ROCK RD	SCOTTSVILLE	37.74027, -78.5197	Wrong Address	1021 WHITE ROCK RD
55 BETTS PARK BLVD	SOUTH HILL	36.67994, -78.213	Wrong Address	88 BETTS PARK BLVD
15372 CALLANDS RD	CALLANDS	36.79281, -79.6302	Wrong Address	15368 CALLANDS RD
188 MICROFILM RD	BASSETT	36.73473, -80.117	Wrong Address	114 MICROFILM RD
1900 ATKINS MILL RD	WYTHEVILLE	36.9401, -81.0712	Wrong Address	310 ATKINS MILL RD
21758 JEB STUART HWY	DAMASCUS	36.64836, -81.8312	Wrong Address	21724 JEB STUART HWY
119 WILLOW OAK LN	ELK CREEK	36.74551, -81.1592	Wrong Geocode	36.734155, -81.165796

Prior to deployment, CNV worked with Brightspeed to confirm the HUBB reported location geocode of 119 Willow Oak Ln, Elk Creek, should have been 36.734155, -81.165796.

Field Testing

CNV deployed a server network utilizing Viavi Fusion software, which controls the testing configuration and parameters. It was tested and certified by Brightspeed, Viavi, and CNV prior to deployment. The Fusion software deploys RFC6349 (TrueSpeed) technology programmed to allow for a Transmission Control Protocol test duration of 20 seconds, performs 100 pings of 24 bytes of data every 50 milliseconds, with a Committed Information Rate (CIR) of 1 Gbps by 1 Gbps for the one HUBB location and one unit of Fiber-to-the-Home technology, a Committed Information Rate (CIR) of 15 Mbps by 5 Mbps for the 75 HUBB locations and 82 units of ADSL technology. When applicable, the Viavi HSC-100 handheld test unit (Viavi test unit) was connected to the subscriber's residential gateway device (RG) using a Cat5 ethernet test cable. A representative of Brightspeed and Lumen accompanied CNV to each test location and installed the RG when the subscriber was unavailable or the location was not an active subscriber. CNV connected the Viavi test unit (NSC-100) to the RG, selected the appropriate server based on traceroute results performed, and executed the required KPI testing to determine a pass/fail of specific KPIs per the milestone obligations per the FCC Rules. The TrueSpeed report contains all required testing data, the Bad Elf GPS (Global Positioning System)[1] captured coordinates, and Esri Field Maps[2] contain the specific location and speed test results.

CNV documented and reported in its findings any submitted locations that are non-compliant building types, locations discovered to be outside of the CAF-II eligible area, and issues with geocodes, including street address issues found to be inaccurate with the HUBB certifications. Included in this final report are any locations that have insufficient network capabilities that would prevent installation of Speed Tier 3 services within 10 business days, test results that determine the carrier will not be able to supply the KPIs required and were part of the

Performance Management Module (PMM) submission, if applicable.

CHALLENGES

One HUBB location was visited twice, as the serving center took a lightning strike before our arrival. CNV reversed the next day's route to be nearby and allow for the Brightspeed staff to make repairs.

CONCLUSION

Fund Type	Study Area Code	State	Locations Sampled	Locations Tested	Download Fails	Upload Fails	Latency Fails	Structure Failures	No Service	Total Potential location Failures (Units)
CAFII	190567	VA	76	76	0	0	0	4	0	16

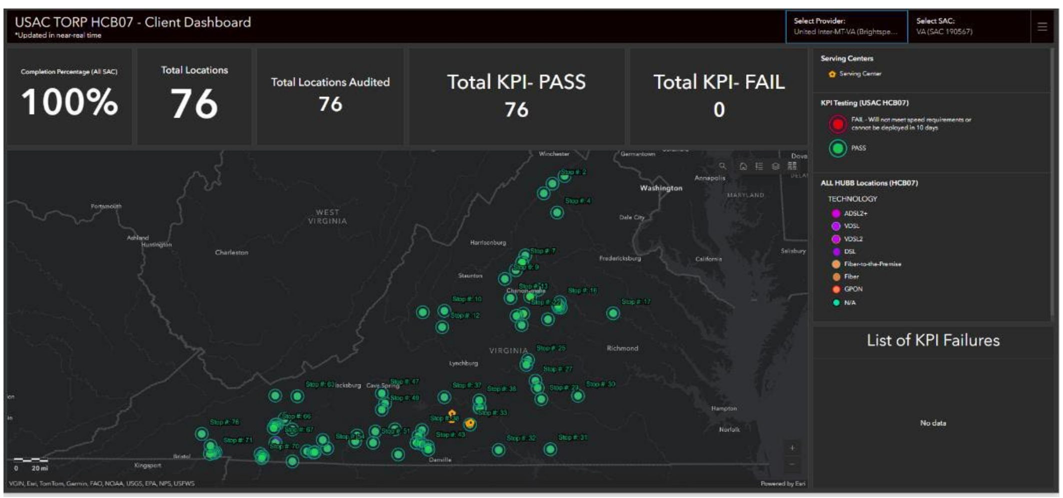
CNV tested all 76 locations, consisting of 83 units, with the technology of Fiber-to-the-Home and ADSL, with 76 locations passing KPIs in the field at or above 10 Mbps download by 1 Mbps upload and less than 100ms latency. CNV discovered 19 location exceptions; seven HUBB supplied addresses had the correct address, but the latitude and longitude were incorrect. One location had no structure present. Three locations were abandoned structures with no electricity. Seven had the wrong address. One address reported that the GPS took CNV to a different location, and no mailbox was found to confirm it. Speed test results were performed at the 19 locations, all of which passed the speed and latency requirements.

[1] Bad Elf GPS is a global positioning device that tracks coordinates for mapping and surveying activities.

[2] Esri is the global leader in geographic information systems technologies; ArcGIS Field Maps is the mobile solution for reviewing and capturing location data.

- Brightspeed supplied the serving center location for the Fiber-to-the-Home and DSL deployment.
- Brightspeed supplied data aligned with the field results captured during location verification and KPI testing.
- Brightspeed met 76 of the 76 speed, latency, and technology deployment expectations to the tested locations.
- During field testing, CNV discovered a total of 14 (16 units) location exceptions. Five (5 units) HUBB supplied addresses had the correct address, but the latitude and longitude were incorrect. Eight (10 units) HUBB supplied addresses had the wrong address reported. One (1 unit) address noted that the GPS took CNV to a different location, and no mailbox was found to confirm this.
- During Field testing, CNV discovered a total of 4 ineligible structures. One (1) location had no structure present. Three (3 units) locations were abandoned structures with no electricity.

Appendix A – Project Map for SAC 190567



APPENDIX B – LOCATION DATA TABLE 1

Address	City	State	Zip	Units	Stop #	Latitude	Longitude	Discrepancies
1575 BYRNES CHAPEL RD	BLAND	VA	24315	1	63	37.13507	-80.9317	Wrong Geocode
934 GREASY CREEK RD	WYTHEVILLE	VA	24382	1	65	36.89068	-81.1675	Wrong Geocode
119 WILLOW OAK LN	ELK CREEK	VA	24326	1	67	36.74551	-81.1592	Wrong Geocode
3537 KINDRECK RD	MOUTH OF WILSON	VA	24363	1	68	36.64123	-81.3289	Wrong Geocode
74 FOX RIDGE RD	MOUTH OF WILSON	VA	24363	1	70	36.60244	-81.3148	Wrong Geocode
22145 CAMPBELL HOLLOW RD	ABINGDON	VA	24211	1	74	36.63891	-81.8726	Wrong Geocode
198 KEYES MILL RD	BUENA VISTA	VA	24416	1	12	37.72289	-79.3744	No Structure

1071 SWINGING BRIDGE RD	GLADYS	VA	24554	1	36	37.09645	-78.9793	Abandoned Structure
282 STAYMAN LN	STUART	VA	24171	1	52	36.746	-80.3066	Abandoned Structure
117 BROOKSIDE LN	INDEPENDENCE	VA	24348	1	69	36.61693	-81.3041	Abandoned Structure
6397 PIG MOUNTAIN RD	FREE UNION	VA	22940	1	8	38.20538	-78.5844	Wrong Address
435 AFTON POND CT	CHARLOTTESVILLE	VA	22902	3	14	37.98303	-78.4287	Wrong Address
1035 WHITE ROCK RD	SCOTTSVILLE	VA	24590	1	24	37.74027	-78.5197	Wrong Address
55 BETTS PARK BLVD	SOUTH HILL	VA	23970	1	31	36.67994	-78.213	Wrong Address
15372 CALLANDS RD	CALLANDS	VA	24530	1	39	36.79281	-79.6302	Wrong Address
188 MICROFILM RD	BASSETT	VA	24055	1	51	36.73473	-80.117	Wrong Address
1900 ATKINS MILL RD	WYTHEVILLE	VA	24382	1	61	36.9401	-81.0712	Wrong Address
75 SPANGLER LN	BENTONVILLE	VA	22610	1	3	38.84936	-78.2819	GPS Issue
5638 HOWELLSVILLE RD	FRONT ROYAL	VA	22630	1	1	39.00209	-78.0524	
990 LITTLE LEAGUE LN	FRONT ROYAL	VA	22630	1	2	38.93106	-78.1884	
137 TIGER VALLEY RD	WASHINGTON	VA	22747	2	4	38.68896	-78.1405	
221 TURKEY RIDGE RD	STANARDSVILLE	VA	22973	1	5	38.32943	-78.4811	
17 EMANUEL LN	STANARDSVILLE	VA	22973	1	6	38.26927	-78.5149	
116 GENTRY PL	STANARDSVILLE	VA	22973	1	7	38.26798	-78.5174	
5694 SUGAR RIDGE RD	CROZET	VA	22932	1	9	38.13126	-78.7	
361 OLD CHAPEL RD	LEXINGTON	VA	24450	1	10	37.86139	-79.3517	
18 HECTORS LN	LEXINGTON	VA	24450	1	11	37.84919	-79.5835	
3096 MONACAN TRAIL RD	NORTH GARDEN	VA	22959	1	13	37.96894	-78.6399	
520 CISMONT MANOR FARM	KESWICK	VA	22947	1	15	38.04001	-78.3439	
3598 THREE NOTCH RD	LOUISA	VA	23093	1	16	37.9344	-78.1102	
12427 NEWFOUND FALLS LN	DOSWELL	VA	23047	1	17	37.83961	-77.5332	
6963 VENABLE RD	KENTS STORE	VA	23084	1	18	37.88909	-78.1005	
220 FOUR WINDS LN	KENTS STORE	VA	23084	1	19	37.89129	-78.1236	

2300 KENTS STORE WAY	KENTS STORE	VA	23084	1	20	37.90779	-78.1271	
7220 JAMES MADISON HWY	FORK UNION	VA	23055	1	21	37.78731	-78.2365	
237 COLES ROLLING RD	SCOTTSVILLE	VA	24590	1	22	37.8345	-78.5081	
1984 IRISH RD	ESMONT	VA	22937	1	23	37.81736	-78.5722	
303 EVANS MILL RD	DILLWYN	VA	23936	1	25	37.44537	-78.4491	
435 DEER PATH LN	FARMVILLE	VA	23901	1	26	37.39824	-78.4658	
2481 OLD RIDGE RD	FARMVILLE	VA	23901	1	27	37.26645	-78.3743	
3785 LEIGH MOUNTAIN RD	GREEN BAY	VA	23942	1	28	37.20522	-78.3476	
113 CAR PAN WIN DR	GREEN BAY	VA	23942	1	29	37.10753	-78.3091	
357 ROCKY HILL RD	BLACKSTONE	VA	23824	1	30	37.13705	-77.9149	
1040 SKYLARK TRL	VIRGILINA	VA	24598	1	32	36.67286	-78.7682	
1151 TERRY TRL	NATHALIE	VA	24577	1	33	36.89134	-79.0782	
1114 MCCULLOCH LN	NATHALIE	VA	24577	1	34	37.03274	-78.9759	
1247 MCCULLOCH LN	NATHALIE	VA	24577	1	35	37.03483	-78.9682	
4361 BEDFORD HWY	LYNCH STATION	VA	24571	2	37	37.12618	-79.3515	
1836 SAGO RD	CALLANDS	VA	24530	1	38	36.84412	-79.5915	
4271 STILLMEADOW RD	AXTON	VA	24054	1	40	36.73518	-79.65	
4269 STILLMEADOW RD	AXTON	VA	24054	1	41	36.73459	-79.6509	
565 BROOKSIDE RD	DRY FORK	VA	24549	3	42	36.71903	-79.5987	
464 SUNSET DR	DRY FORK	VA	24549	1	43	36.70405	-79.5292	
420 OLDE SHOPPE RD	DRY FORK	VA	24549	1	44	36.67631	-79.5232	
285 CLAY EARLES DR	RIDGEWAY	VA	24148	1	45	36.63311	-79.848	
3713 VIRGIL H GOODE HWY	ROCKY MOUNT	VA	24151	1	46	36.8505	-79.8838	
404 JOHN ARTHUR RD	BOONES MILL	VA	24065	1	47	37.15943	-80.0233	
1570 CAMPBELLWOOD RD	BOONES MILL	VA	24065	1	48	37.07004	-79.9893	
119 DEYERLE KNOB RD	ROCKY MOUNT	VA	24151	1	49	37.01874	-80.023	
898 UNION CHURCH RD	FERRUM	VA	24088	1	50	36.83164	-80.0939	
11091 WOOLWINE HWY	WOOLWINE	VA	24185	1	53	36.79632	-80.2907	
7887 SNAKE CREEK RD	HILLSVILLE	VA	24343	1	54	36.68753	-80.6072	
4535 DANVILLE PIKE	HILLSVILLE	VA	24343	1	55	36.75915	-80.6586	

70 ROLLING PINES DR	FANCY GAP	VA	24328	1	56	36.65344	-80.745	
2381 CHANCES CREEK RD	FANCY GAP	VA	24328	1	57	36.64823	-80.7611	
148 EAGLES NEST DR	WOODLAWN	VA	24381	1	58	36.66144	-80.8254	
5444 DELHART RD	GALAX	VA	24333	1	59	36.57492	-80.9858	
2692 POPE RD	IVANHOE	VA	24350	1	60	36.84917	-80.9871	
28 SPRUCE LN	BASTIAN	VA	24314	1	62	37.13916	-81.1695	
1555 BEREA RD	WYTHEVILLE	VA	24382	1	64	36.89326	-81.1499	
297 SPRAKER RD	CROCKETT	VA	24323	1	66	36.8608	-81.1882	
21187 MCCANN RD	DAMASCUS	VA	24236	1	71	36.65479	-81.8138	
21492 FISHER HOLLOW RD	DAMASCUS	VA	24236	1	72	36.64347	-81.8277	
21758 JEB STUART HWY	DAMASCUS	VA	24236	1	73	36.64836	-81.8312	
28360 RIVERMONT DR	MEADOWVIEW	VA	24361	1	75	36.70839	-81.8658	
23268 N FORK RIVER RD	ABINGDON	VA	24210	2	76	36.81023	-81.9599	

APPENDIX C – TEST RESULT DATA TABLE 2

Address	City	Stop #	Technology	Active Subscriber	Pass/ Fail	Download Speed (Mbps)	Upload Speed (Mbps)	Latency (ms)
5638 HOWELLSVILLE RD	FRONT ROYAL	1	DSL	NO	Pass	17	1	68.3
990 LITTLE LEAGUE LN	FRONT ROYAL	2	DSL	NO	Pass	18	1	66.4
75 SPANGLER LN	BENTONVILLE	3	DSL	Yes - HSI less than 10/1	Pass	17	1	61.5
137 TIGER VALLEY RD	WASHINGTON	4	DSL	NO	Pass	17	1	66.3
221 TURKEY RIDGE RD	STANARDSVILLE	5	DSL	YES - HSI 10/1+	Pass	17	1	35
17 EMANUEL LN	STANARDSVILLE	6	DSL	NO	Pass	18	1	49.8
116 GENTRY PL	STANARDSVILLE	7	DSL	NO	Pass	18	1	49.7
6397 PIG MOUNTAIN RD	FREE UNION	8	DSL	YES - HSI 10/1+	Pass	13	1	45.1
5694 SUGAR RIDGE RD	CROZET	9	DSL	YES - HSI 10/1+	Pass	41	3	44.3
361 OLD CHAPEL RD	LEXINGTON	10	DSL	YES - HSI 10/1+	Pass	18	1	50.2
18 HECTORS LN	LEXINGTON	11	DSL	YES - HSI 10/1+	Pass	18	1	49.2
198 KEYES MILL RD	BUENA VISTA	12	DSL	NO	Pass	18	1	50.2
3096 MONACAN TRAIL RD	NORTH GARDEN	13	DSL	NO	Pass	41	3	43.7

435 AFTON POND CT	CHARLOTTESVILLE	14	DSL	NO	Pass	20	1	54.6
520 CISMONT MANOR FARM	KESWICK	15	DSL	NO	Pass	20	1	47.7
3598 THREE NOTCH RD	LOUISA	16	DSL	NO	Pass	15	1	43.9
12427 NEWFOUND FALLS LN	DOSWELL	17	DSL	YES - HSI 10/1+	Pass	18	1	65.7
6963 VENABLE RD	KENTS STORE	18	DSL	NO	Pass	52	9	43.2
220 FOUR WINDS LN	KENTS STORE	19	DSL	YES - HSI 10/1+	Pass	15	1	43.8
2300 KENTS STORE WAY	KENTS STORE	20	DSL	NO	Pass	51	9	43.6
7220 JAMES MADISON HWY	FORK UNION	21	DSL	NO	Pass	41	2	44.5
237 COLES ROLLING RD	SCOTTSVILLE	22	Fiber-to-the-Premise	NO	Pass	911	946	30.3
1984 IRISH RD	ESMONT	23	DSL	NO	Pass	33	1	36
1035 WHITE ROCK RD	SCOTTSVILLE	24	DSL	NO	Pass	11	1	43.9
303 EVANS MILL RD	DILLWYN	25	DSL	NO	Pass	19	1	49.9
435 DEER PATH LN	FARMVILLE	26	DSL	NO	Pass	16	1	45.9
2481 OLD RIDGE RD	FARMVILLE	27	DSL	NO	Pass	14	1	45.4
3785 LEIGH MOUNTAIN RD	GREEN BAY	28	DSL	YES - HSI 10/1+	Pass	51	5	43.3
113 CAR PAN WIN DR	GREEN BAY	29	DSL	NO	Pass	20	1	50.6
357 ROCKY HILL RD	BLACKSTONE	30	DSL	NO	Pass	17	1	64.3
55 BETTS PARK BLVD	SOUTH HILL	31	DSL	NO	Pass	36	3	47.5
1040 SKYLARK TRL	VIRGILINA	32	DSL	NO	Pass	15	1	48
1151 TERRY TRL	NATHALIE	33	DSL	NO	Pass	20	1	52.9
1114 MCCULLOCH LN	NATHALIE	34	DSL	NO	Pass	41	3	46.4
1247 MCCULLOCH LN	NATHALIE	35	DSL	NO	Pass	20	1	49.6
1071 SWINGING BRIDGE RD	GLADYS	36	DSL	NO	Pass	19	1	60
4361 BEDFORD HWY	LYNCH STATION	37	DSL	NO	Pass	12	1	47.6
1836 SAGO RD	CALLANDS	38	DSL	NO	Pass	20	1	67.4
15372 CALLANDS RD	CALLANDS	39	DSL	NO	Pass	29	1	54.3
4271 STILLMEADOW RD	AXTON	40	DSL	NO	Pass	20	1	66.5
4269 STILLMEADOW RD	AXTON	41	DSL	NO	Pass	19	1	66.4
565 BROOKSIDE RD	DRY FORK	42	DSL	YES - HSI 10/1+	Pass	11	1	60.2

464 SUNSET DR	DRY FORK	43	DSL	NO	Pass	18	1	72.8
420 OLDE SHOPPE RD	DRY FORK	44	DSL	Yes - HSI less than 10/1	Pass	18	1	74.7
285 CLAY EARLES DR	RIDGEWAY	45	DSL	NO	Pass	18	1	60
3713 VIRGIL H GOODE HWY	ROCKY MOUNT	46	DSL	YES - HSI 10/1+	Pass	19	1	55.9
404 JOHN ARTHUR RD	BOONES MILL	47	DSL	NO	Pass	19	1	56.2
1570 CAMPBELLWOOD RD	BOONES MILL	48	DSL	NO	Pass	14	1	49.8
119 DEYERLE KNOB RD	ROCKY MOUNT	49	DSL	YES - HSI 10/1+	Pass	19	1	63.5
898 UNION CHURCH RD	FERRUM	50	DSL	YES - HSI 10/1+	Pass	18	1	70.6
188 MICROFILM RD	BASSETT	51	DSL	NO	Pass	20	1	53.1
282 STAYMAN LN	STUART	52	DSL	NO	Pass	18	1	70.9
11091 WOOLWINE HWY	WOOLWINE	53	DSL	YES - HSI 10/1+	Pass	19	1	68.1
7887 SNAKE CREEK RD	HILLSVILLE	54	DSL	YES - HSI 10/1+	Pass	19	1	55.5
4535 DANVILLE PIKE	HILLSVILLE	55	DSL	NO	Pass	17	1	53.1
70 ROLLING PINES DR	FANCY GAP	56	DSL	NO	Pass	19	1	67.8
2381 CHANCES CREEK RD	FANCY GAP	57	DSL	NO	Pass	15	1	54.6
148 EAGLES NEST DR	WOODLAWN	58	DSL	NO	Pass	17	1	72.9
5444 DELHART RD	GALAX	59	DSL	YES - HSI 10/1+	Pass	18	1	73.6
2692 POPE RD	IVANHOE	60	DSL	NO	Pass	17	5	63.4
1900 ATKINS MILL RD	WYTHEVILLE	61	DSL	NO	Pass	15	1	50.7
28 SPRUCE LN	BASTIAN	62	DSL	YES - HSI 10/1+	Pass	15	1	52.1
1575 BYRNES CHAPEL RD	BLAND	63	DSL	YES - HSI 10/1+	Pass	18	1	57.3
1555 BEREA RD	WYTHEVILLE	64	DSL	NO	Pass	18	1	56.3
934 GREASY CREEK RD	WYTHEVILLE	65	DSL	YES - HSI 10/1+	Pass	15	1	51.5
297 SPRAKER RD	CROCKETT	66	DSL	NO	Pass	18	1	57
119 WILLOW OAK LN	ELK CREEK	67	DSL	YES - HSI 10/1+	Pass	18	1	60.6
3537 KINDRECK RD	MOUTH OF Wilson	68	DSL	NO	Pass	10	1	51.1
117 BROOKSIDE LN	INDEPENDENCE	69	DSL	NO	Pass	18	4	48.9
74 FOX RIDGE RD	MOUTH OF Wilson	70	DSL	NO	Pass	18	1	56.8
21187 MCCANN RD	DAMASCUS	71	DSL	NO	Pass	18	1	54.1

21492 FISHER HOLLOW RD	DAMASCUS	72	DSL	NO	Pass	16	4	49.4
21758 JEB STUART HWY	DAMASCUS	73	DSL	NO	Pass	16	4	47.9
22145 CAMPBELL HOLLOW RD	ABINGDON	74	DSL	YES - HSI 10/1+	Pass	18	3	51.2
28360 RIVERMONT DR	MEADOWVIEW	75	DSL	NO	Pass	15	1	50.2
23268 N FORK RIVER RD	ABINGDON	76	DSL	NO	Pass	18	1	48.8

APPENDIX D – PHOTOGRAPHIC EVIDENCE

Stop 1

Stop 2

Stop 3

Stop 4

Stop 5

Stop 6 & 7

Stop 8

Stop 9

Stop 10

Stop 11

Stop 12

Stop 13

Stop 14

Stop 15

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Stop 22 **Stop 23**

Stop 24 **Stop 25**

Stop 26 **Stop 27**

Stop 28 **Stop 29**

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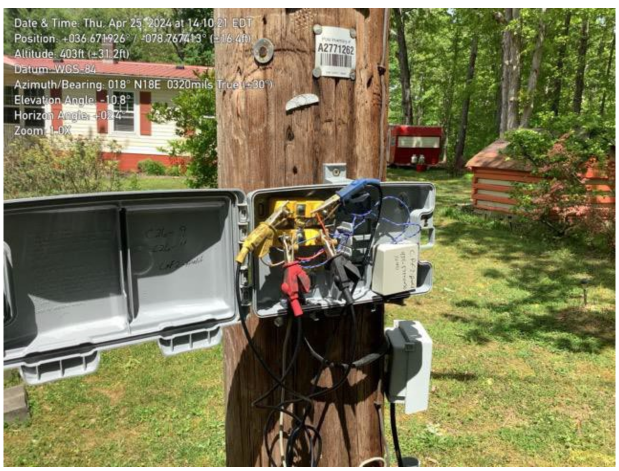
Stop 32 **Stop 33**



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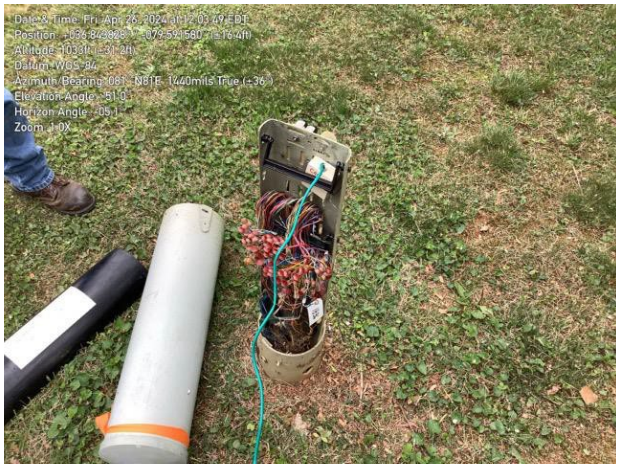
Stop 38 **Stop 39**



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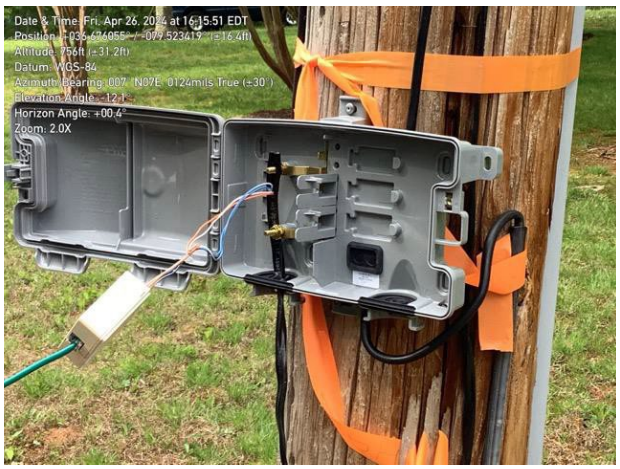

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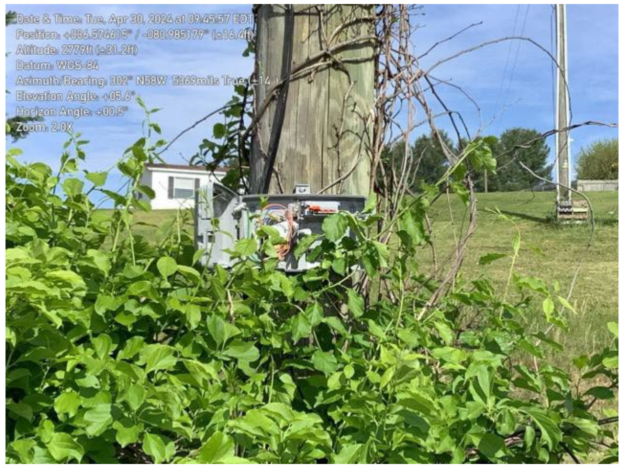

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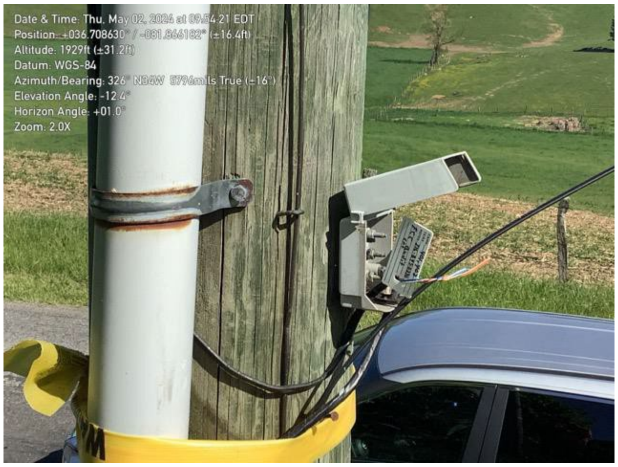

Stop 76

This concludes the report.

Attachment B

HC2024LR017

Panora Communications Cooperative

Audit ID: HC2024LR017

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: March 27, 2025

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

TABLE OF CONTENTS

KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

March 27, 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 objective relative to Panora Communications Cooperative ("Panora" or "Beneficiary") Study Area Code ("SAC") No. 351271 for disbursements made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2022. Our work was performed from March 14, 2024 to March 27, 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 objective. 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 $1,240,704, 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.

In addition, we also noted four Other Matters that are not significant within the context of the audit objective and do not necessarily constitute a rule violation but warrant the Beneficiary's and USAC management's attention. We reported these Other Matters to the Beneficiary's management in a separate letter dated March 27, 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

Panora Communications Cooperative ("Panora" or "Beneficiary") (SAC No. 351271) is located in Iowa and serves over 1,000 customers. Panora provides telecommunications exchange and local access, long distance, internet, video services, and telecommunications equipment.

The Beneficiary wholly owns Panora Telecommunications, Inc., Panorama Communications, Inc., and Guthrie Telecommunications Network, Inc., and collectively provides customers with internet, TV, and voice services.[1]

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:

[1] Beneficiary overview information is from Panora Communications Cooperative Independent Auditor's Report and Consolidated Financial Statements with Supplementary Information December 31, 2021 and 2020.

High Cost Support	Disbursement Amount
CAF BLS	$986,442
CAF ICC	$163,854
HCL	$86,976
SVS	$3,432
Total	**$1,240,704**

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 based on the twelve-month periods ended December 31, 2020,
- 2021 FCC Form 509, based on calendar year 2020 data,
- 2021 CAF ICC Form, based on program year 2020 data, and
- 2021 SVS 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 $1,240,704, 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 the SAC noted in the Beneficiary overview section above.[2]

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

1. Materiality Analysis
2. Reconciliation
3. Assets
4. Expenses
5. High Cost Program filings

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

6. COE Categorization
7. C&WF Categorization
8. Overheads
9. Taxes
10. Part 64 Cost Allocations
11. Affiliate Transactions
12. Revenues, Subscriber Listings and Billing Records
13. Revenue Requirement

PROCEDURES

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 (i.e. cost apportionment) 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, CAF ICC and SVS) completeness of reported accounts was assessed via reconciliations to the audited financial statements via the 'Reconciliation'

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

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 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 tax filing status for the Beneficiary was a C-Corporation and a taxable co-operative entity, and we obtained 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 that included labor compensation, leased circuits and rented fiber facilities 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 5 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 supporting 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.**

Attachment C

HC2021MO033

Micronesian Telecom

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

USAC Audit No. HC2021MO033

TABLE OF CONTENTS

Universal Service
Administrative Co.

EXECUTIVE SUMMARY

January 10, 2025

Leriza Debrum, Senior Manager
Micronesian Telecommunications Corp
Tekken St., Susupe
Saipan, MP 96950-0306

Dear Leriza Debrum:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Micronesian Telecom (Beneficiary), for the study area code (SAC) and disbursements described in the Purpose, Scope and Procedures section, for the periods January 1, 2015 through December 31, 2021 for Connect America Fund (CAF) Phase II Model 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 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 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.

Universal Service
Administrative Co.

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

Universal Service
Administrative Co.

AUDIT RESULT AND RECOVERY ACTION

Audit Result	CAF II Model	Monetary Effect and Recommended Recovery
Finding: 47 C.F.R. § 54.309(a)(1) (2019) - Locations Did Not Meet Public Interest Obligations. The Beneficiary failed to comply with the location eligibility requirements for one out of 193 units selected.	$0	$0
Total	**$0**	**$0**

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results for SAC 653700, 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 II Model	Total Monetary Effect	USAC Recovery Action	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	**$0**	**$0**	**$0**	N/A
Total	**$0**	**$0**	**$0**	**N/A**

As there is no monetary effect for this finding, the total recommended recovery is zero.

Universal Service Administrative Co.

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 Phase II Model support.

SCOPE

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

SAC State	SAC	CAF Phase II Model Support	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	No of Units Tested
Northern Mariana Islands	653700	$17,991,578	7,827	11,723	193

BACKGROUND

The Beneficiary is a price cap 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[2] the Beneficiary reported and certified in the HUBB portal at the last milestone to determine whether the Beneficiary satisfied the requirements based on the FCC's support authorization letter.[3]

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[1] CAF Phase II Model support was initially authorized through December 31, 2020, but the FCC extended the support term for an additional year, through the end of 2021. The FCC provided the carriers with an opportunity to submit updates to the locations reported and certified in the High Cost Universal Broadband portal submission by March 1, 2022.

[2] 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. *See Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations*, WC Docket No. 10-90, Public Notice, DA 16-1363, pgs. 4-5 (WCB Dec. 8, 2016) (*Guidance on Location Reporting*).

[3] *See Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (WCB April 29, 2015).

Universal Service
Administrative Co.

B. Broadband Deployed using CAF Phase I vs. CAF Phase II Support

AAD compared the locations reported and certified for CAF Phase II Model to the locations the Beneficiary reported and certified for CAF Phase I Round 2 to determine whether the Beneficiary included locations deployed using CAF Phase I Round 2 as part of its CAF Phase II Model support build-out obligations.[4]

C. 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.

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.

D. Location Eligibility, Address and Coordinates

AAD examined the locations[5] 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 using mapping software and other data analysis techniques and determining 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.[6] AAD also confirmed whether the locations were reported and certified accurately in the HUBB portal by the correct count of units, unique latitude, and longitude coordinates, and appear to be eligible structures.[7]

E. 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (including VoIP, less than 100 milliseconds), whether the broadband service's usage capacity was reasonably comparable to offerings in urban areas and assessing rates that are reasonably comparable to offerings in urban areas.[8]

F. Site Visits

AAD performed a physical inspection of each sampled location, and corroborated that the geocodes of the physical location service was operational or could become operational within 10 business days. AAD,

---

[4] *See Connect America Fund ETC Annual Reports and Certifications, Rural Broadband Experiments*, Order, FCC 16-28 (WCB Mar. 9, 2016).

[5] A location is one pair of geographic coordinates.

[6] *See Connect America Fund et al., Report and Order et al.*, 31 FCC Rcd 3087, at 3164, para. 211 (2016) (*Rate-of-Return Reform Order*). *See also Guidance on Location Reporting*, DA 16-1363, note 11.

[7] *Guidance on Location Reporting*, DA 16-1363, p. 6.

[8] *See* 47 C.F.R. § § 54.309(a)(1), 54.310(c), and 54.320(d)(2) (2019).

through Elite Systems, also conducted the engineering tests to measure the download speed, upload speed, and latency, and determined whether the results met the performance requirements.

G. 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.

H. Take Rate Analysis

AAD examined the results that the USAC Data Team and the FCC used to compare the PMM results for locations with broadband deployments to subscribers located on the census blocks located in the same area. AAD inquired with the Beneficiary to gain an understanding of why these census blocks with broadband deployment have very few subscribers. AAD ascertained whether the Beneficiary's explanations were reasonable.

DETAILED AUDIT FINDING

FINDING: 47 C.F.R. § 54.309(a)(1) (2019) – Locations Did Not Meet Public Interest Obligations

CONDITION

AAD selected a statistically valid sample of 193 units (127 locations) that the Beneficiary reported and certified in the HUBB portal for the CAF II Model at the 100 percent milestone and, using an independent engineering firm, performed physical inspections to determine whether the locations were eligible for CAF II Model 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds), as required by FCC Rules.[9] The Beneficiary deployed broadband to a location without eligible structures as detailed below:

Sample Size in Units	Failure Description	No. of Units from Statistically Valid Sample
193	No eligible structure	3

[9] 47 C.F.R. § 54.309(a) (2019).

The FCC has provided guidance to beneficiaries on what locations should and should not be reported as eligible locations.[10] The Beneficiary claimed that these three locations are residential locations. However, during the site visit physical inspection in 2024, the engineering firm identified one location as a college and the other two locations were empty lots. During the audit, the Beneficiary provided evidence that there were eligible structures at the two empty lots that were destroyed by natural disasters in 2023. Thus, AAD will not take exception for the two empty lots. However, pursuant to DA-16-1363, carriers must not report community anchor institutions. Because one of the three locations did not have an eligible structure as required by the 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 CAF II Model support.

CAUSE

The Beneficiary stated that it failed to update the certified locations in HUBB because it was unaware that the residential structures in the two locations were destroyed by a typhoon and are now vacant lots. For the remaining location, the Beneficiary misidentified a structure outside of the CAI (college) compound as a residential location instead of being part of the college.

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]

Failures (A)	Failure Rate[12] (B)	No Units Reported and Certified in the HUBB as of 3/1/2022 (C)	Obligation Requirement (D)	Extrapolation of Units with Errors (E)= (B)*(C)	Units in Excess /(Shortfall) of Obligation (F) = (C)-(D)-(E)
1	0.57%	11,723	11,143	67	513

While the Beneficiary was required to deploy broadband to the number of units, the Beneficiary reported and certified deployment to locations above the requirement. Therefore, even with the extrapolated (expected) units with errors of 67, the remaining population certified in the HUBB exceeded the number of locations 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 E above, AAD concluded that the Beneficiary met the 100 percent milestone.

[10] *Guidance on Location Reporting,* DA 16-1363, p. 6.

[11] Rounded to the nearest unit.

[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.

RECOMMENDATION

AAD recommends that USAC Management make the necessary adjustments in the HUBB for the location failed.

BENEFICIARY RESPONSE

We agree with the recommendation.

CRITERIA

47 C.F.R. § 54.309(a) (2019)

(a) Recipients of Connect America Phase II support are required to offer broadband service with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas. For purposes of determining reasonable comparable usage capacity, recipients are presumed to meet this requirement if they meet or exceed the usage level announced by public notice issued by the Wireline Competition Bureau. For purposes of determining reasonable comparability of rates, recipients are presumed to meet this requirement if they offer rates at or below the applicable benchmark to be announced annually by public notice issued by the Wireline Competition Bureau, or no more than the non-promotional prices charged for a comparable fixed wireline service in urban areas in the state or U.S. Territory where the eligible telecommunications carrier receives support.

(1) Recipients of Connect America Phase II model-based support are required to offer broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream.

47 C.F.R. 54.310(c) (2019)

(c) Deployment obligation. Recipients of Connect America Phase II model-based support must complete deployment to 40 percent of supported locations by December 31, 2017, to 60 percent of supported locations by December 31, 2018, to 80 percent of supported locations by December 31, 2019, and to 100 percent of supported locations by December 31, 2020. Recipients of Connect America Phase II awarded through a competitive bidding process must complete deployment to 40 percent of supported locations by the end of the third year, to 60 percent of supported locations by the end of the fourth year, to 80 percent of supported locations by the end of the fifth year, and to 100 percent of supported locations by the end of the sixth year. Compliance shall be determined based on the total number of supported locations in a state.

(1) For purposes of meeting the obligation to deploy to the requisite number of supported locations in a state, recipients of Connect America Phase II model-based support may serve unserved locations in census blocks with costs above the extremely high-cost threshold instead of locations in eligible census blocks, provided that they meet the public interest obligations set forth in § 54.309(a) introductory text and (a)(1) for those locations and provided that the total number of locations covered is greater than or equal to the number of supported locations in the state.

(2) Recipients of Connect America Phase II support may elect to deploy to 95 percent of the number of supported locations in a given state with a corresponding reduction in support computed based on the average support per location in the state times 1.89.

47 C.F.R. 54.320(d)(2) (2019)

(d) Eligible telecommunications carriers subject to defined build-out milestones must notify the Commission and USAC, and the relevant state, U.S. Territory, or Tribal government, if applicable, within 10 business days after the applicable deadline if they have failed to meet a build-out milestone.

Final milestone. Upon notification that the eligible telecommunications carrier has not met a final milestone, the eligible telecommunications carrier will have twelve months from the date of the final milestone deadline to come into full compliance with this milestone. If the eligible telecommunications carrier does not report that it has come into full compliance with this milestone within twelve months, the Wireline Competition Bureau - or Wireless Telecommunications Bureau in the case of mobile carrier participants - will issue a letter to this effect. In the case of Alaska Plan mobile carrier participants, USAC will then recover the percentage of support that is equal to 1.89 times the average amount of support per location received by that carrier over the 10-year term for the relevant percentage of population. For other recipients of high-cost support, USAC will then recover the percentage of support that is equal to 1.89 times the average amount of support per location received in the state for that carrier over the term of support for the relevant number of locations plus 10 percent of the eligible telecommunications carrier's total relevant high-cost support over the support term for that state.

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, , p. 6 (WCB Dec. 8, 2016) (*Guidance on Location Reporting*)

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)

- Boats, recreational vehicles (RVs), tents, caves, and similar types of shelter that no one is using as a residence

Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations, Public Notice, DA 16-1363, pp. 11-12 (WCB Dec. 8, 2016) (*Guidance on Location Reporting*)

> 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.

ATTACHMENT I: SPECIALIST REPORT - ELITE SYSTEMS

ELITE SYSTEMS

ENGINEERING STUDY REPORT

HIGH COST CONNECT AMERICA COST MODEL CAF PHASE II PROGRAM

MICRONESIAN TELECOMMUNICATIONS CORP

SAC 653700
March 27th, 2025

4000 Legato Road Fairfax VA 22033
(703) 279-1790
www.elitesystems.com

ELITE SYSTEMS

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EXECUTIVE SUMMARY

Elite Systems was awarded a contract to audit Micronesian Telecommunications Corp. and validate the broadband service deployment obligations by Connect America Fund Phase II (CAF II) carriers. Elite Systems audited 127 locations (193 units) in Micronesia, Service Area Code (SAC) 653700. The audit initially started on December 7, 2022, but was postponed until March 1, 2023, due to a natural disaster and the resulting cleanup in Micronesian. The audit resumed on January 3, 2024, and continued through March 1, 2024. This report fulfills obligations under contract number AAD-20-108 High-Cost Broadband Network and Engineering Audit Services for the CAF II 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: 10 Mbps
- Upload speed: 1 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 tested 127 locations (193 units) as part of this audit and found that all locations met or exceeded the minimum KPI requirements. A unit refers to an apartment in a multi-dwelling facility where multiple customers could be present. Additionally, Elite Systems identified three locations as not meeting the requirements listed in DA 16-1363 because they were empty parcels or contained invalid structures. During the audit, Elite discovered that no postal addresses are used on the Micronesian islands. Therefore, there were no addresses to confirm. Elite technicians verified each location's longitude/latitude instead. Of the 127 selected locations, 59 are current subscribers to broadband services by Micronesian Telecommunications Corp. (See Table 1)

Findings	# of Locations	# of Units
KPI Non-Compliance Ineligible Location - Building Type	0	0
Speed or Latency	0	0
No Connection	0	0
Non-Qualifying Locations	3	3
Empty Parcel	2	2
Invalid Structure	1	1
Address / Geolocation Errors	0	0
GPS	0	0
Physical Address	0	0
GPS and Address	0	0

Table 1: Summary Findings

The KPI for all locations were collected at the closest publicly accessible point to the site using a temporary service set up by Micronesian Telecommunications Corp. "CAF II beneficiary," as detailed in the next section.

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.

Figure 1: Engineering Testing Process

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 Micronesian Telecom 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.

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 broad- band 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.

Figure 2: Wireline Testing

Figure 3: Fixed Wireless Testing

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 geoloca- tion 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).

Figure 4: Dashboard Sample

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[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.)*

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.

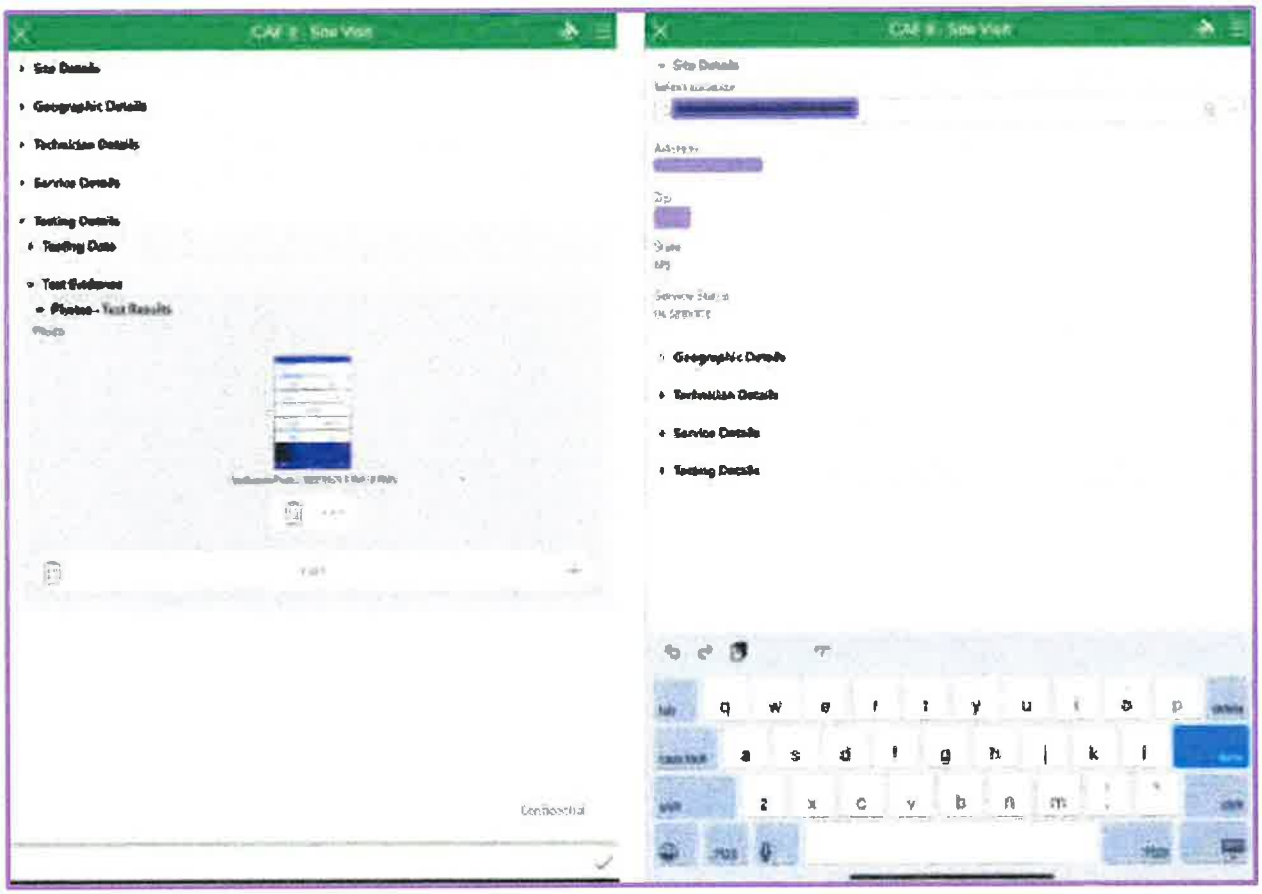

Figure 5: Field Survey Data Collection 1

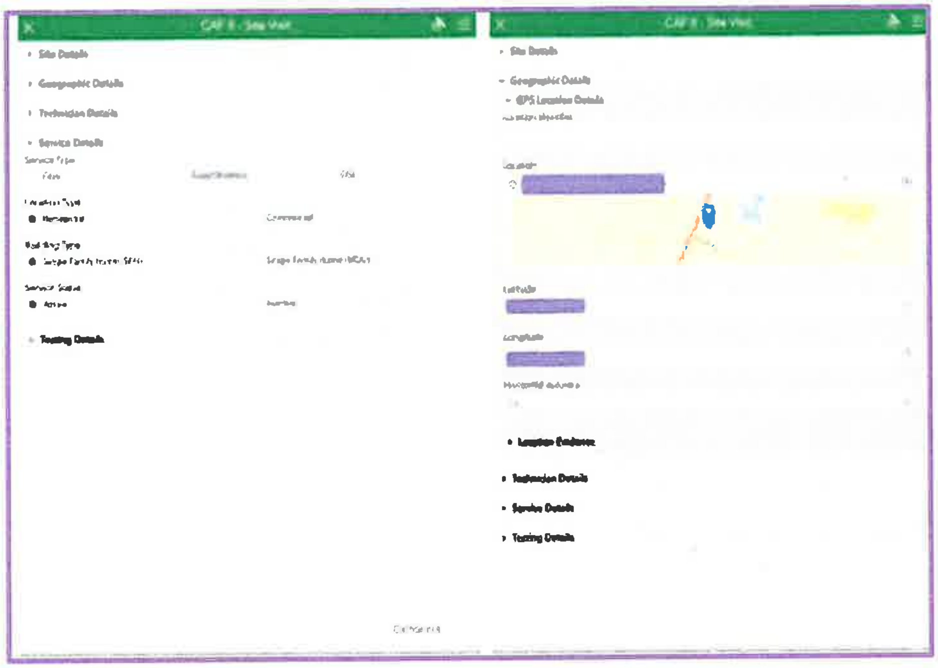

Figure 6: Field Survey Data Collection 2

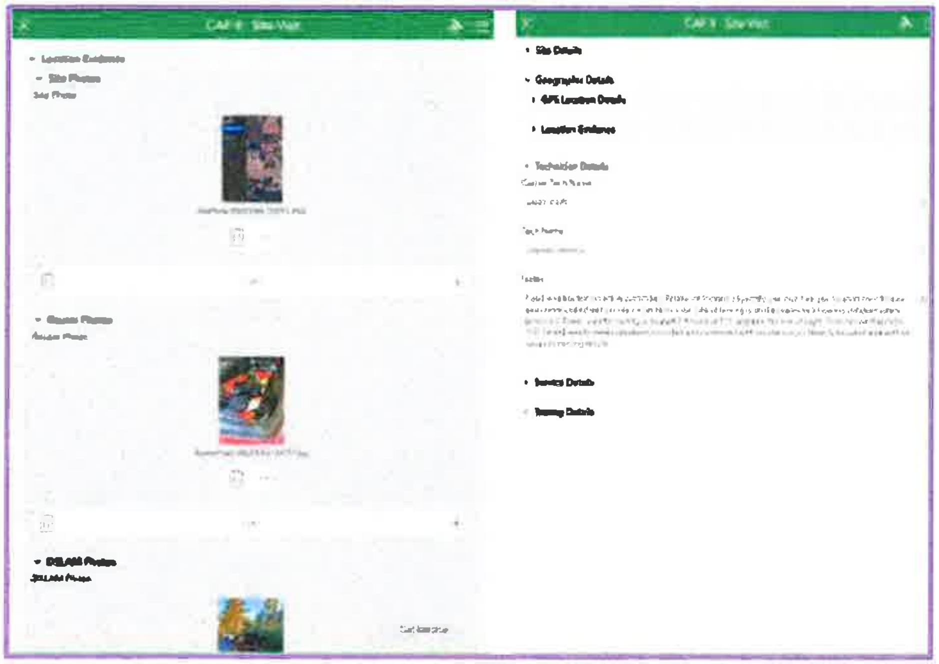

Figure 7: Field Survey Data Collection 3

CONCLUSION:

DOCUMENTATION REVIEW FINDINGS

The documentation provided by Micronesian Telecommunications Corp. met the minimum program-obligated requirements for preparing the location audit. All necessary details, including postal addresses, geolocations, technology types, and active customer information, were verified to ensure proper eligibility for CAF-II program.

Per Elite Systems' review of the documentation, Micronesian Telecommunications did not report any exceptions for addresses or geolocations for any of the sample locations.

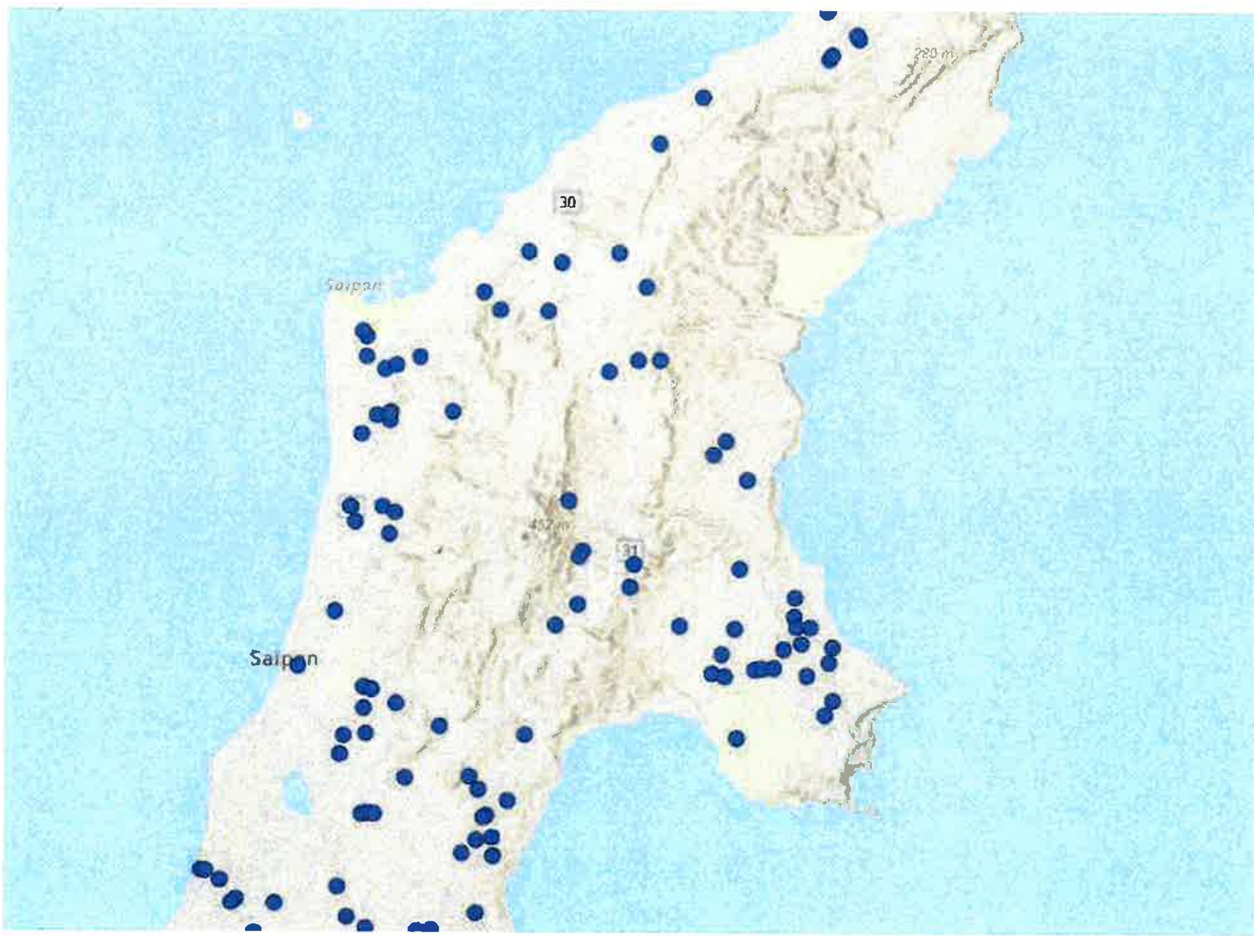

Figure 8: Distribution of locations

FIELD VISIT FINDINGS

1. KPI TEST FINDINGS

Elite Systems tested 127 locations (193 units) in this SAC and found that all locations met the minimum required KPIs.

2. BUILDING TYPE FINDINGS

To qualify for CAF-II eligibility, the location and unit must be in an inhabitable condition. Trailers, businesses (including places of worship), and empty parcels are not eligible. Three locations were found to violate DA 16-1363 due to being empty parcels or having invalid structures. After further investigation, it was determined that the empty parcels were a result of the natural disaster that occurred in 2023

Building Validation and details	# Of Locations	# Of Units
Empty Parcel	2	2
Invalid Structure	1	1

Table 2: Non-qualifying Locations

3. ADDRESS AND GEOLOCATION FINDINGS

Validating the street address and geolocation for all sample locations against what was reported in the HUBB report by Micronesian Telecommunications Corp. was part of the site visit requirement. Elite Systems found that all locations met the address/geolocation requirements.

ACRONYMS AND ABBREVIATIONS

Acronym / Abbreviation	Meaning
CAF	Amazon Web Services
CMT	Connect America Fund
DSLAM	Communications Management Tool
EHCB	Digital Subscriber Line Access Multiplexer
FCC	Extremely High Census Block
GIS	Federal Communications Commission
GPS	Geographic Information System
HUBB	Global Positioning System
KPI	High Cost Universal Broadband
SAC	Key Performance Indicators
Exception	Service Area Code
MDU	Location not meeting KPI requirements
VPC	Multi-Dwelling Units (Apartment Building)

Table 3: Acronyms and Abbreviations

Available for Public Use

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment D Venture Communications Cooperative	1	• No significant findings.	$1,020,378	($7,451)	$0	N
Attachment E Hancock Rural Telephone Corporation	0	• Not applicable.	$177,072	$0	$0	N/A
Attachment F Heartland Telecommunications Co. of Iowa (Mutual Tel. Co.)	2	• No significant findings.	$14,882,998	$0	$0	N
Attachment G Hawaiian Telcom, Inc.	2	• No significant findings.	$29,821,738	$0	$0	N
Total	**5**		**$45,902,186**	**($7,451)**	**$0**	

Attachment D

HC2024LR034

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

LIMITED SCOPE PERFORMANCE AUDIT

VENTURE COMMUNICATIONS COOPERATIVE

LIMITED SCOPE PERFORMANCE AUDIT ON COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND HIGH COST SUPPORT MECHANISM RULES

USAC AUDIT NO. HC2024LR034

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Executive Summary

February 19, 2025

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" or "Sikich") was engaged to conduct a limited scope performance audit on the compliance of Venture Communications Cooperative (Beneficiary), study area code (SAC) 391680, for disbursements made from the federal Universal High Cost (HC) Program during the year ended December 31, 2023. Sikich conducted the audit field work from April 3, 2024, to February 19, 2025.

We conducted the limited scope 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 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 our findings and conclusions based on the audit objectives.

The objectives of this limited scope performance audit were to evaluate the Beneficiary's compliance with the regulations and orders governing the federal Universal Service HC 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. Sikich's 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 one detailed audit finding, 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 third party upon request.

Audit Results and Recovery Action

Based on the test work performed, our audit disclosed that the Beneficiary did not comply with FCC Rules, as set forth in the one detailed audit finding discussed below.

Audit Results	Monetary Effect				Recommended Recovery[2]
	CAF BLS	HCL	CAF ICC	Total	
Finding No. 1, 47 C.F.R. § 51.917(d) (2021), 47 C.F.R. § 64.604(c)(5)(iii)(C),(D) (2021), and FCC DA 20-692 (2020) – Inaccurate Reporting of Exogenous Costs The Beneficiary reported inaccurate exogenous costs in its Connect America Fund (CAF) Intercarrier Compensation (ICC) Support reporting.	$0	$0	($7,451)	($7,451)	$0
Total Net Monetary Effect	**$0**	**$0**	**($7,451)**	**($7,451)**	**$0**

[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 for SAC 391680, 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.

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	$0	$0	($7,451)	($7,451)	N/A
Total	**$0**	**$0**	**($7,451)**	**($7,451)**	**N/A**

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

Background and Program Overview

Background

Venture Communications Cooperative (Beneficiary) is a model-based[3] eligible telecommunications carrier (ETC) that provides residential and business fiber internet services to more than 10,200 subscribers in rural South Dakota. In addition to providing Part 64 regulated services, the Beneficiary, and its affiliated entities provide internet, long-distance phone services, video, and Hosted PBX Voice over Internet Protocol (VOIP) phone services. These services fall under different regulations than local exchange services do; however, they are specifically 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, HC, and Rural Health Care. USAC may not make policy or interpret regulations.

[3] Model-based companies are the rate-of-return carriers that elected to transition to a new cost model for calculating High Cost support. Model-based companies are eligible to receive funding from the Alternate Connect America Cost Model II program (ACAMII) program in exchange for meeting defined broadband build-out obligations. The Beneficiary elected to become a model-based company in 2019 and began receiving ACAMII payments in August of 2019.

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 intercarrier compensation 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 Program Year (PY) 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.

Objective, Scope, and Procedures

Objective

The objective of our limited scope performance audit was to determine whether the Beneficiary complied with FCC Rules for the 2023 disbursement period.

Scope

The table below summarizes the HC Program support included in the audit scope.[4]

[4] While Venture became a model-based company and began receiving ACAMII payments in August 2019, the scope of this audit only relates to the CAF ICC disbursements paid in calendar year 2023.

High Cost Support	Data Period	Disbursement Period	Disbursements Audited
CAF ICC	2020-2022	2023	$1,020,378

Procedures

We performed the following procedures:

A. **High Cost Program Support Amount**
   We recalculated the support that the Beneficiary received for each in scope HC component to determine whether there were no more than nominal differences between the amounts received and those recorded in the HC 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. **Revenues**
   We obtained and examined the Beneficiary's CAF ICC True-Up supporting documentation, Interstate Switched Access Revenue Allocation documentation, and general ledger detail for revenue accounts to determine whether the Beneficiary reported accurate Interstate Billed Switched Access Revenues, Transitional Intrastate Access Service Revenues, Access Charge Rate Revenues, and Incremental Fees.

Detailed Audit Findings

Finding No. 1: 47 C.F.R. § 51.917(d) (2021), 47 C.F.R. § 64.604(c)(5)(iii)(C),(D) (2021), and FCC Order DA 20-692 (2020) – Inaccurate Reporting of Exogenous Costs

Condition
The Beneficiary did not accurately report its incremental exogeneous costs[5] in the CAF ICC True-Up adjustments for HC Program purposes, as examined in the Beneficiary's calculation of its incremental exogenous costs for the Program Year July 2020 – June 2021.

[5] The incremental exogenous costs are reported on Line 43 of the EC1050, TS Switched Access – Other, encompassing Telecommunications Relay Service (surcharge increment), regulatory fees (surcharge increment), and North American Numbering Plan Administration (fee increment). For model-based companies, the incremental amount of surcharges/fees that can be recovered will include amounts associated with switched access and common line.

Under FCC Rules, companies should use Form 499-A[6] as the data sources for calculating their incremental exogenous costs for inclusion in eligible switched access recovery. The Beneficiary elected to serve as a model-based company in 2019. As a result, when calculating its incremental exogenous costs, the Beneficiary was required to use data from its Form 499-A, cost studies for 2011 for its base-year calculation, and cost studies for 2018.

We recalculated the Beneficiary's incremental exogenous costs by determining the incremental increase in the telecommunications relay services (TRS), the North American Numbering Plan Administrator (NANPA), and FCC regulatory fees attributable to switched access and common line rates that were higher than the amounts the Beneficiary reported in its 2011 base-year tariff filing. Based on our recalculation, we have identified the variance in the following table:[7]

Exogenous Cost Reported to USAC in 2020	Exogenous Cost Recalculation by Sikich	Variance
$14,902	($0)[8]	($14,902)

Cause
The Beneficiary did not use the correct methodology when calculating its incremental exogenous costs for inclusion in its CAF ICC True-Up adjustments. Specifically, the Beneficiary used cost studies in performing its calculation of incremental exogenous cost for the PY July 2020 – June 2021, instead of utilizing FCC Form 499-A and the accurate cost study factors as part of its calculation of the costs. The Beneficiary informed us that it did not become aware of the change until after the effective date. Therefore, it did not incorporate the change into its PY July 2020 – June 2021 incremental exogenous cost calculation.

Effect
We calculated the monetary impact to the Beneficiary's HC Program filing by adjusting the CAF ICC algorithm to remove the overstated exogenous cost of $14,902 for the PY July 2020 – June 2021. We summarized the impact of this finding relative to disbursements made from HC Program for the 12-month period ending December 31, 2023, in the table below.

[6] FCC Form 499-A is required for all filers. It is used to report the company's actual revenue billed during the prior calendar year. *See* 47 C.F.R. § 64.604(c)(5)(iii)(C) (2021).
[7] Although we examined both True-Up years 2020 and 2021 in our CAF ICC testing, we only recalculated the incremental exogenous costs for True-Up year 2020 because the Beneficiary did not report any incremental exogenous costs for True-Up year 2021.
[8] The Beneficiaries should not report an incremental amount if the incremental amounts are negative. Our recalculation yielded negative incremental costs in the amount of ($53,111). Therefore, we conclude that the Beneficiary should report $0 as its incremental cost.

Support Type	Monetary Effect & Recommended Recovery
CAF ICC	($7,451)
Total	**($7,451)**[9]

Recommendation
We recommend that the Beneficiary establish procedures to ensure they utilize Form 499-A and accurate cost study factors in exogeneous cost calculation in accordance with the FCC Rules.

In addition, 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
The Beneficiary agrees with the finding. The worksheet used to calculate the exogenous costs total was prepared before updated guidance for this calculation was released by NECA in April 2022. The method used by Venture in 2020 compared the change in part 69 assignment of TRS fees, the Reg fee and NANPA fee expensed that year and compared to the frozen year, rather than applying the TRS, Reg Fee and NANPA contribution factors to the revenues inf the frozen year compared to current year. We will use the new methodology implemented in this finding to calculate any future exogenous costs.

Criteria

Finding	Criteria	Description
No. 1	47 C.F.R. § 51.917(d) (2021)	*(d) Eligible Recovery for Rate-of-Return Carriers.* *(1) Notwithstanding any other provision of the Commission's rules, a Rate-of-Return Carrier may recover the amounts specified in this paragraph through the mechanisms described in* paragraphs (e) *and* (f) *of this section.* *(i) Beginning July 1, 2012, a Rate-of-Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-Return Carrier Baseline Adjustment Factor less:* *(A) The Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2012, reflecting forecasted demand multiplied by the rates in the rate transition contained in* § 51.909*;* *(B) The Expected Revenues from interstate switched access for the year beginning July 1, 2012, reflecting forecasted demand multiplied by the rates in the rate transition contained in* § 51.909*; and*

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

Finding	Criteria	Description
		(C) Expected Net Reciprocal Compensation Revenues for the year beginning July 1, 2012 using the target methodology required by § 51.705. *(ii) Beginning July 1, 2013, a Rate-of-Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-Return Carrier Baseline Adjustment Factor less:* *(A) The Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2013, reflecting forecasted demand multiplied by the rates in the rate transition contained in* § 51.909*;* *(B) The Expected Revenues from interstate switched access for the year beginning July 1, 2013, reflecting forecasted demand multiplied by the rates in the rate transition contained in* § 51.909*; and* *(C) Expected Net Reciprocal Compensation Revenues for the year beginning July 1, 2013 using the target methodology required by §* 51.705. *(iii) Beginning July 1, 2014, a Rate-of-Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-Return Carrier Baseline Adjustment Factor less:* *(A) The Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in* § 51.909 *(including the reduction in intrastate End Office Switched Access Service rates), adjusted to reflect the True-Up Adjustment for Transitional Intrastate Access Service for the year beginning July 1, 2012;* *(B) The Expected Revenues from interstate switched access for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in* § 51.909*, adjusted to reflect the True-Up Adjustment for Interstate Switched Access for the year beginning July 1, 2012; and* *(C) Expected Net Reciprocal Compensation Revenues for the year beginning July 1, 2014 using the target methodology required by §* 51.705*, adjusted to reflect the True-Up Adjustment for Reciprocal Compensation for the year beginning July 1, 2012.* *(D) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2012 multiplied by negative one.* *(iv) Beginning July 1, 2015, and for all subsequent years, a Rate-of-Return Carrier's eligible recovery will be calculated by updating the procedures set forth in* paragraph (d)(1)(iii) *of this section for the period beginning July 1, 2014, to reflect the passage of an additional year in each subsequent year.* *(v) If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period*

Finding	Criteria	Description
		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. *(vi) If a Rate-of-Return Carrier receives or makes reciprocal compensation payments after the period used to measure the adjustments to reflect the differences between estimated and actual net reciprocal compensation revenues, it shall treat such amounts as actual revenues or payments in the year the payment is received or made and shall reflect this as an additional adjustment for that year.* *(vii) If a Rate-of-Return Carrier recovers any costs or revenues that are already being recovered as Eligible Recovery through Access Recovery Charges or the Connect America Fund from another source, that carrier's ability to recover reduced switched access revenue from Access Recovery Charges or the Connect America Fund shall be reduced to the extent it receives duplicative recovery. Any duplicative recovery shall be reflected as a reduction to a carrier's Eligible Recovery calculated pursuant to* § 51.917(d). *A Rate-of-Return Carrier seeking revenue recovery must annually certify as part of its tariff filings to the Commission and to the relevant state commission that the carrier is not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism.* *(viii)* *(A) If a Rate-of-Return Carrier in any tariff period underestimates its projected demand for services covered by* § 51.917(b)(6) *or* 51.915(b)(13)*, and thus has too much Eligible Recovery in that tariff period, it shall refund the amount of any such True-up Revenues or True-up Revenues for Access Recovery Charge that are not offset by the Rate-of-Return Carrier's Eligible Recovery (calculated before including the true-up amounts in the Eligible Recovery calculation) in the true-up tariff period to the Administrator by August 1 following the date of the Rate-of-Return Carrier's annual access tariff filing.* *(B) If a Rate-of-Return Carrier in any tariff period receives too little Eligible Recovery because it overestimates its projected demand for services covered by* § 51.917(b)(6) *or* 51.915(b)(13)*, which True-up Revenues and True-up Revenues for Access Recovery Charge it cannot recover in the true-up tariff period because the Rate-of-Return Carrier has a negative Eligible Recovery in the true-up tariff period (before calculating the true-up amount in the Eligible Recovery calculation), the Rate-of-Return Carrier shall treat the unrecoverable true-up amount as its Eligible Recovery for the true-up tariff period.*

Finding	Criteria	Description
No. 1	47 CFR § 64.604(c)(5)(iii) (C),(D) (2021)	*(c) Functional* standards *(5) Jurisdictional separation of costs -…* *(iii) Telecommunications Relay Services Fund. Effective July 26, 1993, an Interstate Cost Recovery Plan, here in after referred to as the TRS Fund, shall be administered by an entity selected by the Commission (administrator). The initial administrator, for an interim period, will be the National Exchange Carrier Association, Inc….* *(C) Registration Requirements for Providers of Non-Interconnected VoIP Service—* *(1) Applicability. A non-interconnected VoIP service provider that will provide interstate service that generates interstate end-user revenue that is subject to contribution to the Telecommunications Relay Service Fund shall file the registration information described in* paragraph (c)(5)(iii)(C)(2) *of this section in accordance with the procedures described in* paragraphs (c)(5)(iii)(C)(3) *and* (c)(5)(iii)(C)(4) *of this section. Any non-interconnected VoIP service provider already providing interstate service that generates interstate end-user revenue that is subject to contribution to the Telecommunications Relay Service Fund on the effective date of these rules shall submit the relevant portion of its FCC Form 499-A in accordance with* paragraphs (c)(5)(iii)(C)(2) *and* (3) *of this section.* *(2) Information required for purposes of TRS Fund contributions. A non-interconnected VoIP service provider that is subject to the registration requirement pursuant to* paragraph (c)(5)(iii)(C)(1) *of this section shall provide the following information:* *(i) The provider's business name(s) and primary address;* *(ii) The names and business addresses of the provider's chief executive officer, chairperson, and president, or, in the event that a provider does not have such executives, three similarly senior-level officials of the provider;* *(iii) The provider's regulatory contact and/or designated agent;* *(iv) All names that the provider has used in the past; and* *(v) The state(s) in which the provider provides such service.* *(3) Submission of registration. A provider that is subject to the registration requirement pursuant to* paragraph (c)(5)(iii)(C)(1) *of this section shall submit the information described in* paragraph (c)(5)(iii)(C)(2) *of this section in accordance with the Instructions to FCC Form 499-A. FCC Form 499-A must be submitted under oath and penalty of perjury.* *(4) Changes in information. A provider must notify the Commission of any changes to the information provided pursuant to* paragraph (c)(5)(iii)(C)(2) *of this section within no more than one week of the change. Providers may satisfy this requirement by filing the relevant portion of FCC Form 499-A in accordance with the Instructions to such form.*

Finding	Criteria	Description
		(D) Data collection and audits. *(1) Cost and demand data. TRS providers seeking compensation from the TRS Fund shall provide the administrator with true and adequate data, and other historical, projected and state rate related information reasonably requested to determine the TRS Fund revenue requirements and payments. TRS providers shall provide the administrator with the following: total TRS minutes of use, total interstate TRS minutes of use, total operating expenses and total TRS investment in general in accordance with* part 32 of this chapter*, and other historical or projected information reasonably requested by the administrator for purposes of computing payments and revenue requirements. In annual cost data filings and supplementary information provided to the administrator regarding such cost data, IP CTS providers that contract for the supply of services used in the provision of TRS shall include information about payments under such contracts, classified according to the substantive cost categories specified by the administrator. To the extent that a third party's provision of services covers more than one cost category, the resubmitted cost reports must provide an explanation of how the provider determined or calculated the portion of contractual payments attributable to each cost category. To the extent that the administrator reasonably deems necessary, providers shall submit additional detail on such contractor expenses, including but not limited to complete copies of such contracts and related correspondence or other records and information relevant to determining the nature of the services provided and the allocation of the costs of such services to cost categories.*
No. 1	FCC Order: DA 20-692 (II.D.12) (2020)	*12. Outreach. In 2016, the Bureau granted a partial, one-year waiver of the Commission's prohibition on outreach cost recovery to permit recovery of costs for specific IP Relay outreach efforts to meet the TRS needs of people who are deafblind (see footnote below). This waiver was renewed each year thereafter. In 2019 the Bureau expanded the scope of the waiver to permit Sprint to recover costs for its outreach efforts to the broader community of potential IP users.* *Footnote 31: See 2016 TRS Rate Order, 31 FCC Rcd at 7251-52, para. 19; see also Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Structure and Practices of the Video Relay Service Program, CG Docket Nos. 03-123 and 10-51, Order, 32 FCC Rcd 5142, 5145-45, paras. 11-13 (CGB 2017) (2017 TRS Rate Order); Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Structure and Practices of the Video Relay Service Program, CG Docket Nos. 03-123 and 10-51, Order, 33 FCC Rcd 6300, 6304, para. 11 (CGB 2018) (2018 TRS Rate Order); 2019 TRS Rate Order, 34 FCC Rcd at 5178-79, para. 16.*

Sikich CPA LLC

Attachment E

HC2025LR006

Hancock Rural Telephone Corporation

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

USAC Audit No. HC2025LR006

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EXECUTIVE SUMMARY

March 24, 2025

Scott Hiatt
Chief Financial Officer (CFO)
Hancock Rural Telephone Corporation
2243 E. Main Street
Greenfield, IN 46140

Dear Mr. Hiatt:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Hancock Rural Telephone Corporation (Beneficiary), study area code 320775 disbursements for July 2023 through June 2024, 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 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
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	Documentation Period	Disbursement Period	Disbursements Audited
Connect America Fund (CAF) Intercarrier Compensation (ICC)	July 2021 – June 2022	June 2023 – June 2024	$177,072

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

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 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, and the lines in the data files were identified with the proper residential/single line business (Res/SLB) or multi-line business (MLB) classification.

D. 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 F

HC2022MO038

Heartland Telecommunications Company of Iowa (Mutual Tel. Co.)

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

USAC Audit No. HC2022MO038

TABLE OF CONTENTS

EXECUTIVE SUMMARY

March 18, 2025

Ryan Boone, Chief Executive Officer
339 1st Ave. NE
Sioux Center, IA 51250

Dear Ryan Boone:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Heartland Telecommunications Company of Iowa (Mutual Telephone Co) (Beneficiary), for the study area codes (SAC) and disbursements described in the Purpose, Scope and Procedures section, for the periods January 1, 2015 through December 31, 2021 for Connect America Fund (CAF) Phase II Model 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). Compliance with 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 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 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 subject to the program requirements 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	CAF Phase II Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.309(a)(1) (2019) - Locations Did Not Meet Public Interest Obligations. The Beneficiary failed to comply with the location eligibility requirements for one out of 70 units selected.	$0
Finding #2: FCC DA 16-1363 (2016) – Inaccurate Location Information Reported on the HUBB. The Beneficiary reported incorrect addresses and/or geolocations for 21 units out of 70 units selected in the HUBB.	$0
Total	**$0**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 351096, 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.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

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

SCOPE

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

State	SAC	CAF Phase II Model Support	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	No. of Units Tested
Iowa	351096	$14,882,998	3,182	3,190	70

[1] CAF Phase II Model support was initially authorized through December 31, 2020, but the FCC extended the support term for an additional year, through the end of 2021. The FCC provided the carriers with an opportunity to submit updates to the locations reported and certified in the High Cost Universal Broadband portal submission by March 1, 2022.

BACKGROUND

The Beneficiary is an eligible telecommunications carrier (ETC) that operates in the state identified in the Scope table above. The Beneficiary operates under the holding company of Mutual Telephone Company (IA).

PROCEDURES

AAD performed the following procedures:

A. Deployment Milestone Requirements

AAD compared the number of units[2] the Beneficiary reported and certified in the HUBB portal at the last milestone to determine whether the Beneficiary satisfied the requirements based on the FCC's support authorization letter.[3]

B. Broadband Deployed using CAF Phase I vs. CAF Phase II Support

AAD compared the locations reported and certified for CAF Phase II Model to the locations the Beneficiary reported and certified for CAF Phase I Round 2 to determine whether the Beneficiary included locations deployed using CAF Phase I Round 2 as part of its CAF Phase II Model support build-out obligations.[4]

C. Documentation Review, Site Visit, and Sample Selection – Use of Specialist

AAD contracted 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 the locations tested to the population not tested.

AAD also contracted the services of a professional engineering firm, CN Ventures, 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 other FCC requirements for the locations selected for testing.

D. Location Eligibility, Address and Coordinates

AAD examined the locations[5] 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 blocks. In addition, AAD assessed whether the locations meet the FCC deployment criteria, and whether that service can be provided within 10 business days upon request.[6] 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.[7]

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[2] 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. See also, *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, Residential Locations and Business Locations, pages 4-5 (Wireline Comp. Bur. December 8, 2016).

[3] *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (Wireline Comp. Bur. 2015).

[4] *Connect America Fund ETC Annual Reports and Certifications, Rural Broadband Experiments,* FCC 16-28, Order (Wireline Comp. Bur. March 9, 2016).

[5] A location is one pair of geographic coordinates.

[6] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, note 11 (Wireline Comp. Bur. December 8, 2016).

[7] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, page 6 – Do's and Don'ts (Wireline Comp. Bur. December 8, 2016).

E. 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 carrier met the public interest obligations for offering broadband service (at the minimum downstream/upstream) with latency suitable for real-time applications (including VoIP), whether usage capacity was reasonably comparable to offerings in urban areas, and whether rates assessed were reasonably comparable to offerings in urban areas.[8]

F. Site Visits

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

G. 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.

H. Take Rate Analysis

AAD examined the results of the USAC Data Team and FCC analysis using PMM data to identify subsidized census blocks with low subscribership. AAD inquired with the Beneficiary to gain an understanding of why select census blocks with broadband deployment have very few subscribers. AAD determined whether the explanations were deemed reasonable.

[8] *See* 47 C.F.R. § 54.310(c) (2019), 47 C.F.R. § 54.320(d)(2) (2019), and 47 C.F.R. § 54.309(a)(1) (2019).

DETAILED AUDIT FINDINGS

FINDING #1: 47 C.F.R. § 54.309(a)(1) (2019) – Locations Did Not Meet Public Interest Obligations

CONDITION

AAD selected a statistically valid sample of 70 units (69 locations) that the Beneficiary reported and certified in the HUBB portal for CAF II Model support at the 100 percent milestone and, using an independent engineering firm, performed physical inspections to determine whether a) the locations met the requirements for CAF II Model support, b) the related geocodes were reported and certified accurately in the HUBB portal, and c) the locations met the public interest obligations for offering broadband service (at least 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds). During the site visit, the independent engineering firm noted the Beneficiary deployed broadband to locations without an eligible structure. See the table below.

State	SAC	Statistically Valid Sample Size (in units)	Failure Description	No. of Ineligible Units
Iowa	351096	70	No eligible structure	2

The FCC has provided guidance to beneficiaries on what locations should and should not be reported as eligible locations.[9] The Beneficiary acknowledges the results above, agrees with one of the two locations, and provided documentation to dispute the second location. However, during the site visit physical inspection in 2024, the engineering firm identified one location as vacant and the other as an empty lot. During the audit, the Beneficiary provided evidence that there was an eligible structure at the empty lot that was demolished in July 2024. Thus, AAD will not take exception for the empty lot. However, pursuant to DA-16-1363, carriers must not report vacant structures that are condemned or are to be demolished.[10] Because one of the two locations did not have an eligible structure as required by the 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 CAF II Model support.

CAUSE

The Beneficiary believed it included locations 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.[11] See details in the table below.[12]

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[9] *Guidance to Carriers Receiving Connect America Fund Support,* DA 16-1363, p. 6.
[10] *Id.*
[11] *See* 47 C.F.R. §§ 54.320(d)(2)- 54.320(d)(3) (2019).
[12] Rounded to the nearest unit.

State	SAC	Total No. of Net Failed Units	Failure Rate[13] (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)
Iowa	351096	1	1.71%	3,190	2,767	55	368

While the Beneficiary was required to deploy broadband to the number of units, the Beneficiary reported and certified deployment to locations above the requirement. Therefore, even with the extrapolated (expected) units with errors of 55, the remaining population certified in the HUBB exceeded the number of locations 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 E above, AAD concluded that the Beneficiary met the 100 percent milestone.

RECOMMENDATION

AAD recommends that USAC Management make the necessary adjustments in the HUBB for the location that failed.

BENEFICIARY RESPONSE

Heartland Telecommunications Company of Iowa d/b/a Premier Communications accepts the final AAD recommendation to adjust for one location.

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

CONDITION

AAD selected a statistically valid sample of 70 units (69 locations) that the Beneficiary reported and certified in the HUBB portal for the CAF II Model at the 100 percent milestone and performed physical inspections to determine whether the locations were eligible for CAF II Model 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds). The Beneficiary reported inaccurate address locations and/or inaccurate geocoordinates (greater than 36 feet) for 21 units in its HUBB data submission for the CAF II Model support.[14] Because the information was not accurately reported on the HUBB, AAD concluded that the Beneficiary did not comply with the FCC Rules.[15] See the table below.

State	SAC	Inaccurate Address	Inaccurate Geocoordinates	Both	Total No. of Units
Iowa	351096	14	6	1	**21**

[13] 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.
[14] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, pages 11-12 (Wireline Comp. Bur. December 8, 2016). *See also*, FCC Form 481 Officer Certification.
[15] FCC DA 16-1363 (2016).

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 that the locations' information reported in the HUBB and certified by the Beneficiary was inaccurate or contained errors. However, there is no monetary effect for this finding, as the Beneficiary was able to reconcile the differences and AAD validated the correct geocoordinates.

RECOMMENDATION

AAD recommends that USAC Management make the necessary adjustments in the HUBB for the 21 units.

Although CAFII Model is a fund that ended, given the errors noted in this finding, AAD recommends that the Beneficiary enhance its addresses and geolocation identification, processing and reporting for HC Modernized funds that have not ended yet.

BENEFICIARY RESPONSE

Heartland Telecommunications Company of Iowa d/b/a Premier Communications accepts the AAD recommendation for this finding.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.309(a)(1) (2019)	Recipients of Connect America Phase II support are required to offer broadband service with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas. For purposes of determining reasonable comparable usage capacity, recipients are presumed to meet this requirement if they meet or exceed the usage level announced by public notice issued by the Wireline Competition Bureau. For purposes of determining reasonable comparability of rates, recipients are presumed to meet this requirement if they offer rates at or below the applicable benchmark to be announced annually by public notice issued by the Wireline Competition Bureau, or no more than the non-promotional prices charged for a comparable fixed wireline service in urban areas in the state or U.S. Territory where the eligible telecommunications carrier receives support. (1) Recipients of Connect America Phase II model-based support are required to offer broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream.
#1	47 C.F.R. § 54.310(c)(1) (2019)	For purposes of meeting the obligation to deploy to the requisite number of supported locations in a state, recipients of Connect America Phase II model-based support may serve unserved locations in census blocks with costs above the extremely high-cost threshold instead of locations in eligible census blocks, provided that they meet the public interest obligations set forth in § 54.309(a) introductory text and (a)(1) for those locations and provided that the total number of locations covered is greater than or equal to the number of supported locations in the state.
#1	47 C.F.R. § 54.320(d)(2) (2019)	***Final Milestone.*** Upon notification that the eligible telecommunications carrier has not met a final milestone, the eligible telecommunications carrier will have twelve months from the date of the final milestone deadline to come into full compliance with this milestone. If the eligible telecommunications carrier does not report that it has come into full compliance with this milestone within twelve months, the Wireline Competition Bureau—or Wireless Telecommunications Bureau in the case of mobile carrier participants—will issue a letter to this effect. In the case of Alaska Plan mobile carrier participants, USAC will then recover the percentage of support that is equal to 1.89 times the average amount of support per location received by that carrier over the support term for the relevant percentage of population. For other recipients of high-cost support, USAC will then recover the percentage of support that is equal to 1.89 times the average amount of support per location received in the support area for that carrier over the term

Finding	Criteria	Description
		of support for the relevant number of locations plus 10 percent of the eligible telecommunications carrier's total relevant high-cost support over the support term for that support area. Where a recipient is unable to demonstrate compliance with a final performance testing milestone, USAC will recover the percentage of support that is equal to 1.89 times the average amount of support per location received in the support area for the relevant number of locations for that carrier plus 10 percent of the eligible telecommunications carrier's total relevant high cost-support over the support term for that support area, the total of which will then be multiplied by the percentage of time since the carrier was last able to demonstrate compliance based on performance testing, on a quarterly basis. In the event that a recipient fails to meet a final milestone both for build-out and performance compliance, USAC will recover the total of the percentage of support that is equal to 1.89 times the average amount of support per location received by that carrier over the support term for the relevant number of locations to which the carrier failed to build out; the percentage of support that is equal to 1.89 times the average amount of support per location received in the support area for the relevant number of locations for that carrier multiplied by the percentage of time since the carrier was last able to demonstrate compliance based on performance testing; and 10 percent of the eligible telecommunications carrier's total relevant high-cost support over the support term for that support area.
#1	47 C.F.R. § 54.320(d)(3) (2019)	***Compliance Reviews.*** If subsequent to the eligible telecommunications carrier's support term, USAC determines in the course of a compliance review that the eligible telecommunications carrier does not have sufficient evidence to demonstrate that it is offering service to all of the locations required by the final milestone or, in the case of Alaska Plan participants, did not provide service consistent with the carrier's approved performance plan, USAC shall recover a percentage of support from the eligible telecommunications carrier as specified in paragraph (d)(2) of this section.
#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, Pp. 6, 12 (Wireline Comp. Bur. December 8, 2016)	(Below excerpt from Pp. 6) “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

Finding	Criteria	Description
		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) • Boats, recreational vehicles (RVs), tents, caves, and similar types of shelter that no one is using as a residence" (Below excerpt from Pp. 12) "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."
#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, Pp. 11-12 (Wireline Comp. Bur. December 8, 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."
#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 – CN VENTURES

USAC High-Cost Broadband Network & Engineering Audit Services Task Order:

HCB07 – Contract: HC2022MO038

Iowa 351096

April 25, 2025

Table of Contents

Executive Summary

USAC has identified a sample of 69 addresses (70 units) for validation in the Study Area Code (SAC) listed in the table below. The parameters of all locations and units in this SAC are Speed Tier 3 (10 Mbps download x 1 Mbps upload). All 69 addresses were served by Fiber-to-the- Home technology.

State	SAC	Test Locations	Test Units
Iowa	351096	69	70

Total Addresses	Location Discrepancies	Download Speed Failures	Upload Speed Failures	Latency Failures	Total Passing	Ineligible Structures	Total Failing
69	20 (21 units)	0	0	0	47	2 (units)	21 (231 units)

Field testing was conducted in May 2024.

Connected Nation Ventures (CNV) performed the confirmation of the reported HUBB location to include correct geocoding, structure met eligibility requirements, and verified distance variance was not more than 36 feet. CNV performed the KPI testing as described and found 69 locations passing the KPI speed and latency requirements. Using the navigation device, the reported HUBB coordinates compared to the reported HUBB address created a challenge that was resolved by physically verifying the address on the structure or mailbox. CNV discovered twenty-one location exceptions (one location overlaps both addresses and geo-codes issues); six HUBB-supplied addresses had the correct address, but the latitude and longitude were incorrect. See Appendix A – Location Data Table 1 below.

Testing Process

Pre-Visit Site Planning

The engineering review was completed to assess all the sample addresses for their physical location and research their available broadband service; this work was divided into a geocoding[1] review and a carrier website review.

The geocoding review included:

- Geocoding each address to find its physical location (the CNV location);
- Reviewing the location against the carrier's submitted coordinates to see if the location is comparable (i.e., within the same parcel boundary, within 36 feet of each other, etc.);
- Confirming the CNV location for each address is within Connect America Fund (CAF) Phase 2 eligible area;
- Reviewing if the CNV location for each address is within a high-cost area, which impacts other review parameters;
- Confirmed there were no duplicate address locations.

The carrier website review included:

- Confirming the address is listed as being served per carrier website;
- Confirming the address has at least the minimum speed tier available, per the requirements;
- If the address is within a high-cost area, confirming the monthly price to the consumer is less than $84;
- If the address is within a high-cost area, confirming the consumer would have unlimited data.

Any address that failed the engineering review was sent to the carrier for review and feedback. Below is the list of addresses that failed at least one part of the engineering review.

Address	City	Geocode	Failure Type(s)	Resolution
170 ST	SIBLEY	43.403551, -95.75365	Wrong Address	103 5th St W
170 ST	SIBLEY	43.402385, -95.753543	Wrong Address	107 5th St W

CNV worked with Heartland Telecommunications Company of Iowa to confirm the two HUBB reported addresses of 170 St, Sibley should have been 103 5th St W, Sibley and 107 5th St W, Sibley.

[1] The process of identifying geospatial coordinates (latitude and longitude) for an address.

Field Testing

CNV deployed a server network utilizing Viavi Fusion software, which was responsible for controlling the testing configuration and parameters. It was tested and certified by Heartland Telecommunications Company of Iowa, Viavi, and CNV prior to deployment. The Fusion software deploys RFC6349 (TrueSpeed) technology programmed to allow for a Transmission Control Protocol test duration of 20 seconds, performs 100 pings of 24 bytes of data every 50 milliseconds, with a Committed Information Rate (CIR) of 1 Gbps by 1 Gbps for the 69 HUBB locations and 70 units of Fiber-to-the-Home technology.

When applicable, the Viavi HSC-100 handheld test unit (Viavi test unit) was connected to the subscriber's residential gateway device (RG) using a Cat5 ethernet test cable. A representative of Heartland Telecommunications Company of Iowa accompanied CNV to each test location and installed the RG when the subscriber was unavailable, or the location was not an active subscriber. CNV connected the Viavi test unit (NSC-100) to the RG, selected the appropriate server based on traceroute results performed, and executed the required KPI testing to determine a pass/fail of specific KPIs per the milestone obligations per the FCC Rules. The TrueSpeed report contains all the required testing data, the Bad Elf GPS (Global Positioning System)[2] captured coordinates, and Esri Field Maps[3] contain the specific location and speed test results.

CNV documented and reported in its findings any submitted locations that are non-compliant building types, locations discovered to be outside of the CAF-II eligible area, and issues with geocodes, including street address issues that are found to be inaccurate with the HUBB certifications. Included in this final report are any locations that have insufficient network capabilities that would prevent the installation of Speed Tier 3 services within 10 business days, test results that determine the carrier will not be able to supply the KPIs required and were part of the Performance Management Module (PMM) submission, if applicable.

Conclusion

CNV tested all 69 locations consisting of 70 units with the technology of Fiber-to-the-Home, with all 69 locations passing KPIs in the field at, or above, 10 Mbps download by 1 Mbps upload and less than 100ms latency. CNV discovered twenty-two location exceptions; Six HUBB-supplied addresses had the correct address, but the latitude and longitude were incorrect. One location had the incorrect address and incorrect latitude and longitude. One location had a vacant structure with no electricity. One location had a demolished structure. Thirteen locations had the wrong address.

Heartland Telecommunications Company of Iowa supplied the serving center location for the Fiber-to-the-Home deployment. Heartland Telecommunications Company of Iowa supplied data aligned with the field results captured during location verification and KPI testing.

- Heartland Telecommunications Company of Iowa met 69 of the 69 speed, latency, and technology deployment expectations to the tested locations.
- Heartland Telecommunications Company of Iowa met 47 of the 69 location HUBB requirements, with two locations failing in the pre-site visit engineering survey and twenty failing during field testing.
- During the pre-site review, CNV discovered two HUBB address reporting discrepancies and worked with Heartland Telecommunications Company of Iowa to obtain and verify the correct HUBB addresses that matched the supplied geocodes. CNV worked with

Heartland Telecommunications Company of Iowa to confirm the first HUBB reported location address of 170 St, Sibley should have been 103 5th St, Sibley. That the second address of 170 St, Sibley should have been 107 5th St, Sibley.
During field testing, CNV discovered twenty-two location exceptions; six HUBB-supplied addresses had the correct address, but the latitude and longitude were incorrect. See Appendix A – Location Data Table 1 below.

[2] Bad Elf GPS is a global positioning device that tracks coordinates for mapping and surveying activities.
[3] Esri is the global leader in geographic information systems technologies; ArcGIS Field Maps is the mobile solution for reviewing and capturing location data

Appendix A – Location Data Table 1

Address	City	State	Zip	Units	Stop #	Latitude	Longitude	Discrepancies
25001 HIGHWAY 12	WESTFIELD	IA	51027	1	12	42.69133	-96.577606	Non-Qualifying Structure
16051 GRANITE AVE	AKRON	IA	51027	1	6	42.821985	-96.391193	Wrong Geocode
20431 HIGHWAY 3	AKRON	IA	51027	1	7	42.8085	-96.420415	Wrong Geocode
15755 N RIDGE RD	WESTFIELD	IA	51027	1	9	42.69613	-96.51365	Wrong Geocode

250 ST	DOON	IA	51001	1	43	43.286278	-96.247673	Wrong Geocode and Address
2051 GOLDFINCH AVE	ROCK RAPIDS	IA	51001	1	44	43.353878	-96.216443	Wrong Geocode
1143 ELMWOOD AVE	ROCK RAPIDS	IA	51001	1	49	43.485088	-96.295504	Wrong Geocode
2434 120ST	ROCK RAPIDS	IA	51062	1	50	43.477055	-96.307538	Wrong Geocode
500ST	IRETON	IA	51062	1	3	42.923599	-96.32579	Address wrong
47627 SD HIGHWAY 48	AKRON	IA	51062	1	15	42.850987	-96.681965	Address wrong
30270 482 AVE	HAWARDEN	IA	51239	1	16	43.001964	-96.568116	Address wrong
350 ST	ROCK VALLEY	IA	51001	1	22	43.142086	-96.3713	Address wrong
COOLIDGE AVE	ROCK VALLEY	IA	51001	1	26	43.191349	-96.393509	Address wrong
300 ST	ROCK VALLEY	IA	51062	1	28	43.213902	-96.340363	Address wrong
JEFFERSON AVE	BOYDEN	IA	51235	1	38	43.1838	-96.02005	Address wrong
4176 320 STREET	BOYDEN	IA	51246	1	40	43.187145	-95.964043	Address wrong
NORTHWEST BLVD	SIBLEY	IA	51246	1	62	43.414315	-95.751504	Address wrong
170 ST	SIBLEY	IA	51246	1	63	43.403551	-95.75365	Address wrong
170 ST	SIBLEY	IA	51027	2	64	43.402385	-95.753543	Address wrong
9 ST WEST	SIBLEY	IA	51001	1	65	43.399778	-95.757244	Address wrong
11AVE	SIBLEY	IA	51023	1	68	43.393259	-95.735606	Address wrong
3145 300 STREET	HULL	IA	51027	1	34	43.214069	-96.171066	
2625 500 ST	IRETON	IA	51247	1	1	42.92342	-96.268433	
4987 ELMWOOD AVE	IRETON	IA	51247	1	2	42.925186	-96.293396	
2291 500 ST	IRETON	IA	51247	1	4	42.923565	-96.333138	
23512 110 ST	IRETON	IA	51234	1	5	42.894085	-96.361176	
19295 C44	AKRON	IA	51234	1	8	42.721519	-96.443245	
24377 CONCORD AVE	WESTFIELD	IA	51249	1	10	42.701992	-96.528679	
14383 BUTCHER RD	WESTFIELD	IA	51249	1	11	42.71561	-96.540822	
21409 CEDAR AVE	WESTFIELD	IA	51249	1	13	42.744665	-96.552275	
19012 CONCORD AVE	AKRON	IA	51249	1	14	42.778252	-96.525269	
127 10ST	HAWARDEN	IA	51249	1	17	42.997017	-96.491982	
305 25 ST	HAWARDEN	IA	51027	1	18	43.013683	-96.490631	
4860A BIRCH AVE	HAWARDEN	IA	51027	1	19	42.948461	-96.48889	

4527 BUCHANAN AVE	HAWARDEN	IA	51027	1	20	42.990849	-96.471069	
4527 CLEVELAND AVE	HAWARDEN	IA	51027	1	21	42.992093	-96.413284	
3228 CHESTNUT AVE	ROCK VALLEY	IA	51001	1	23	43.181652	-96.431633	
3141 CHESTNUT AVE	ROCK VALLEY	IA	51062	1	24	43.193462	-96.432961	
1752 300ST	ROCK VALLEY	IA	51062	1	25	43.214706	-96.440758	
2223 300 ST	ROCK VALLEY	IA	51062	1	27	43.21373	-96.350067	
3431 FIG AVE	ROCK VALLEY	IA	51001	1	29	43.152027	-96.275955	
2681 320ST	ROCK VALLEY	IA	51023	1	30	43.185127	-96.260292	
2692 300 ST	ROCK VALLEY	IA	51023	1	31	43.215172	-96.256126	
2748 300 ST	ROCK VALLEY	IA	51023	1	32	43.215199	-96.24614	
2858 310 ST	ROCK VALLEY	IA	51023	1	33	43.201385	-96.224823	
2964 HICKORY AVE	HULL	IA	51023	1	35	43.220577	-96.137131	
3492 310 STREET	HULL	IA	51247	1	36	43.200764	-96.099998	
3821B 310 ST	BOYDEN	IA	51247	1	37	43.20026	-96.038002	
3326 KENNEDY AVE	BOYDEN	IA	51247	1	39	43.168396	-95.999367	
3911 280 ST	BOYDEN	IA	51247	1	41	43.243811	-96.019211	
2549 HICKORY AVE	DOON	IA	51247	1	42	43.279282	-96.138596	
2118 US 75	ROCK RAPIDS	IA	51247	1	45	43.343842	-96.174488	
3154 210ST	ROCK RAPIDS	IA	51247	1	46	43.348306	-96.163403	
2005 HWY 75	ROCK RAPIDS	IA	51247	1	47	43.360447	-96.176566	
3155 170 ST	ROCK RAPIDS	IA	51247	1	48	43.403517	-96.164643	
1610 IBEX AVE	ROCK RAPIDS	IA	51239	1	51	43.417522	-96.115547	
1821 IBEX AVE	ROCK RAPIDS	IA	51239	1	52	43.388257	-96.116943	
1927 INDIAN AVE	ROCK RAPIDS	IA	51234	1	53	43.371902	-96.096987	
3527 MADISON AVE	ROCK RAPIDS	IA	51234	1	54	43.384934	-96.09447	
1346 INDIAN AVE	ROCK RAPIDS	IA	51234	1	55	43.457219	-96.094753	
4960 160ST	SIBLEY	IA	51235	1	56	43.418647	-95.80904	
1296 A NETTLE AVE	SIBLEY	IA	51246	1	57	43.463172	-95.798759	
1148 OAK HILL AVE	SIBLEY	IA	51246	1	58	43.484041	-95.780328	

1246 A PIERCE AVE	SIBLEY	IA	51246	1	59	43.468507	-95.722133	
5538 HIGHWAY 9	SIBLEY	IA	51246	1	60	43.432989	-95.695698	
5290 160 ST	SIBLEY	IA	51246	1	61	43.419363	-95.744518	
1026 3 AVE	SIBLEY	IA	51246	1	66	43.397136	-95.750425	
318 11 ST	SIBLEY	IA	51246	1	67	43.397159	-95.750176	
5510 170 ST	SIBLEY	IA	51246	1	69	43.40449	-95.701039	

Appendix B – Test Result Data Table 2

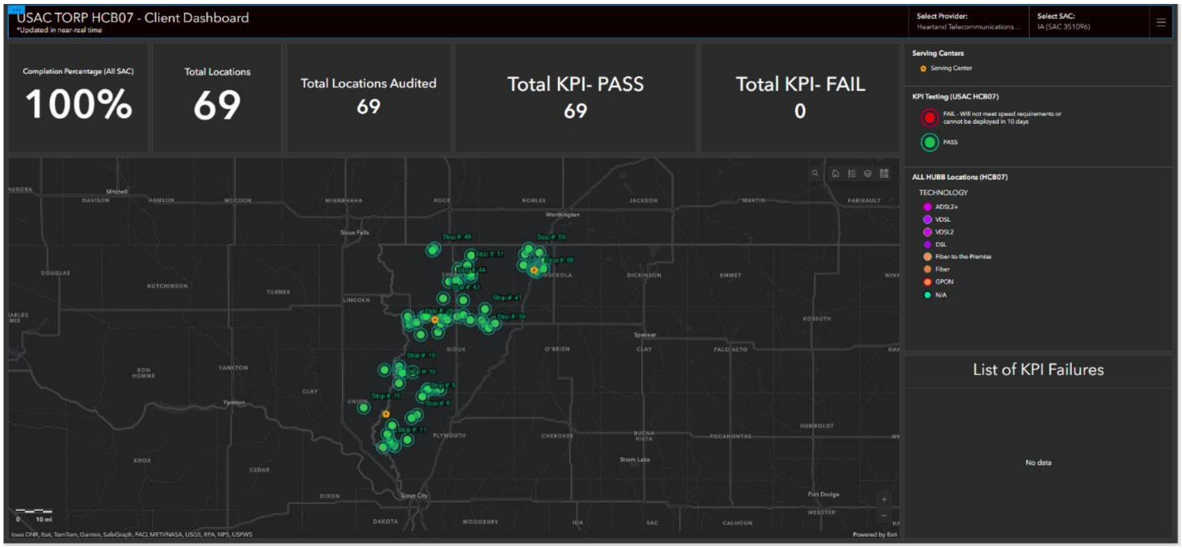
Address	City	Stop #	Technology	Active Subscriber	Pass/Fail	Download Speed (Mbps)	Upload Speed (Mbps)	Latency (ms)
2625 500 ST	IRETON	1	Fiber-to-the-Premise	NO	Pass	136	19	19.6
4987 ELMWOOD AVE	IRETON	2	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	127	19	19.6
500ST	IRETON	3	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	129	19	19.6
2291 500 ST	IRETON	4	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	140	19	19.7
23512 110 ST	IRETON	5	Fiber-to-the-Premise	NO	Pass	510	490	31.9
16051 GRANITE AVE	AKRON	6	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	146	13	20.2
20431 HIGHWAY 3	AKRON	7	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	131	14	20.4
19295 C44	AKRON	8	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	140	14	21
15755 N RIDGE RD	WESTFIELD	9	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	130	14	20.6
24377 CONCORD AVE	WESTFIELD	10	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	129	14	20.4
14383 BUTCHER RD	WESTFIELD	11	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	142	13	20.5
25001 HIGHWAY 12	WESTFIELD	12	Fiber-to-the-Premise	NO	Pass	140	14	20.6
21409 CEDAR AVE	WESTFIELD	13	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	133	14	20.4
19012 CONCORD AVE	AKRON	14	Fiber-to-the-Premise	NO	Pass	135	14	20.5
47627 SD HIGHWAY 48	AKRON	15	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	143	14	20.5
30270 482 AVE	HAWARDEN	16	Fiber-to-the-Premise	NO	Pass	461	479	19.5
127 10ST	HAWARDEN	17	Fiber-to-the-Premise	NO	Pass	470	479	19.6
305 25 ST	HAWARDEN	18	Fiber-to-the-Premise	NO	Pass	469	478	19.6
4860A BIRCH AVE	HAWARDEN	19	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	456	479	19.7

4527 BUCHANAN AVE	HAWARDEN	20	Fiber-to-the-Premise	NO	Pass	449	479	19.6
4527 CLEVELAND AVE	HAWARDEN	21	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	445	479	19.5
350 ST	ROCK VALLEY	22	Fiber-to-the-Premise	NO	Pass	135	18	19.9
3228 CHESTNUT AVE	ROCK VALLEY	23	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	138	19	19.6
3141 CHESTNUT AVE	ROCK VALLEY	24	Fiber-to-the-Premise	NO	Pass	143	19	19.8
1752 300ST	ROCK VALLEY	25	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	153	19	19.6
COOLIDGE AVE	ROCK VALLEY	26	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	140	18	19.7
2223 300 ST	ROCK VALLEY	27	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	149	19	19.6
300 ST	ROCK VALLEY	28	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	139	19	19.7
3431 FIG AVE	ROCK VALLEY	29	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	118	21	30.3
2681 320ST	ROCK VALLEY	30	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	143	19	19.5
2692 300 ST	ROCK VALLEY	31	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	143	19	19.7
2748 300 ST	ROCK VALLEY	32	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	148	19	19.5
2858 310 ST	ROCK VALLEY	33	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	149	19	19.6
3145 300 STREET	HULL	34	Fiber-to-the-Premise	NO	Pass	90	19	19
2964 HICKORY AVE	HULL	35	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	137	39	19.5
3492 310 STREET	HULL	36	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	127	39	19.5
3821B 310 ST	BOYDEN	37	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	79	18	31.7
JEFFERSON AVE	BOYDEN	38	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	92	19	31.6
3326 KENNEDY AVE	BOYDEN	39	Fiber-to-the-Premise	NO	Pass	81	19	31.5
4176 320 STREET	BOYDEN	40	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	99	19	31.6
3911 280 ST	BOYDEN	41	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	91	19	31.7
2549 HICKORY AVE	DOON	42	Fiber-to-the-Premise	NO	Pass	139	39	19.6
250 ST	DOON	43	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	65	5	30.2
2051 GOLDFINCH AVE	ROCK RAPIDS	44	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	137	18	22.2
2118 US 75	ROCK RAPIDS	45	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	133	19	22.2
3154 210ST	ROCK RAPIDS	46	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	126	19	22.1
2005 HWY 75	ROCK RAPIDS	47	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	128	19	22.1
3155 170 ST	ROCK RAPIDS	48	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	128	19	22.1

1143 ELMWOOD AVE	ROCK RAPIDS	49	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	138	19	22.3
2434 120ST	ROCK RAPIDS	50	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	148	19	22.2
1610 IBEX AVE	ROCK RAPIDS	51	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	139	19	22.1
1821 IBEX AVE	ROCK RAPIDS	52	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	138	19	22.2
1927 INDIAN AVE	ROCK RAPIDS	53	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	139	18	22.2
3527 MADISON AVE	ROCK RAPIDS	54	Fiber-to-the-Premise	NO	Pass	138	19	22.3
1346 INDIAN AVE	ROCK RAPIDS	55	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	133	19	22.1
4960 160ST	SIBLEY	56	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	127	19	32.1
1296 A NETTLE AVE	SIBLEY	57	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	143	19	32.1
1148 OAK HILL AVE	SIBLEY	58	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	144	18	32.2
1246 A PIERCE AVE	SIBLEY	59	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	147	19	32.1
5538 HIGHWAY 9	SIBLEY	60	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	132	19	32.1
5290 160 ST	SIBLEY	61	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	137	18	32.2
NORTHWEST BLVD	SIBLEY	62	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	145	19	32.2
170 ST	SIBLEY	63	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	139	19	31.9
170 ST	SIBLEY	64	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	132	19	31.9
9 ST WEST	SIBLEY	65	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	140	19	32.1
1026 3 AVE	SIBLEY	66	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	135	19	32.2
318 11 ST	SIBLEY	67	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	142	19	32.1
11AVE	SIBLEY	68	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	132	19	32.1
5510 170 ST	SIBLEY	69	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	148	19	32.1

Map of 69 Test Locations

IA SAC 351096



Appendix C – Photographic Evidence

Stop 1

Stop 2

Stops 3

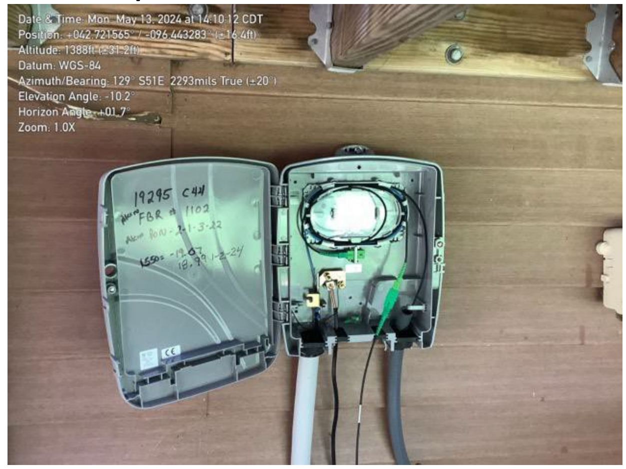
Stop 4

Stop 5

Stop 6

Stop 7

Stop 8



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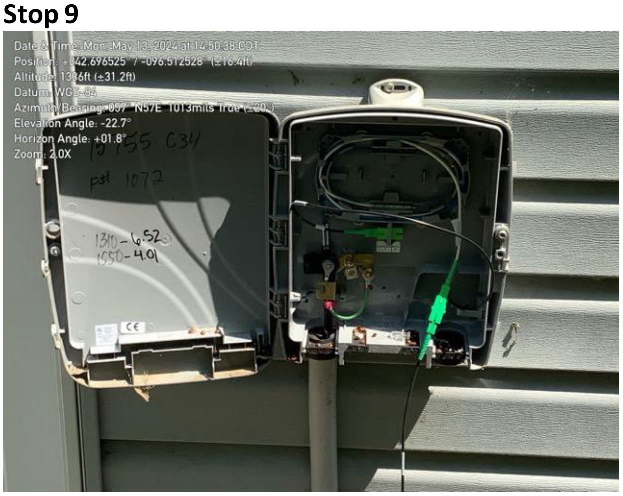


Stop 10

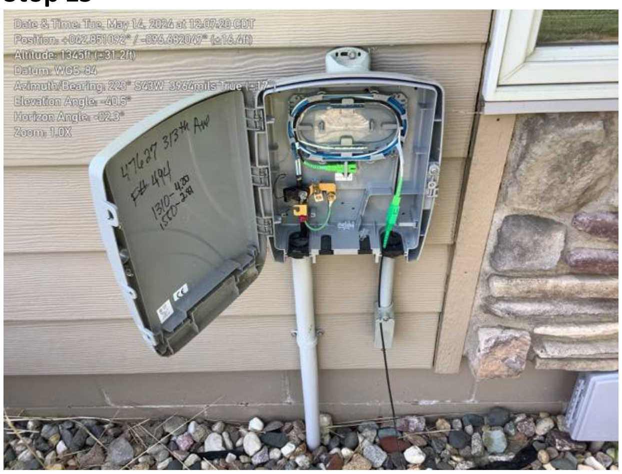
Stop 11

Stop 12

Stop 13

Stop 14

Stop 15



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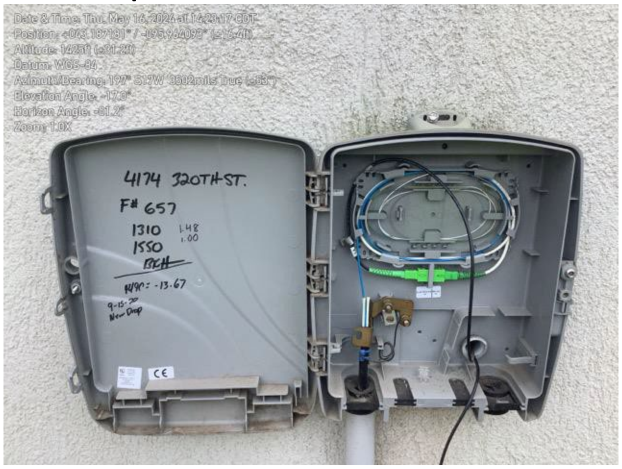
Stop 38

Stop 39

Stop 40



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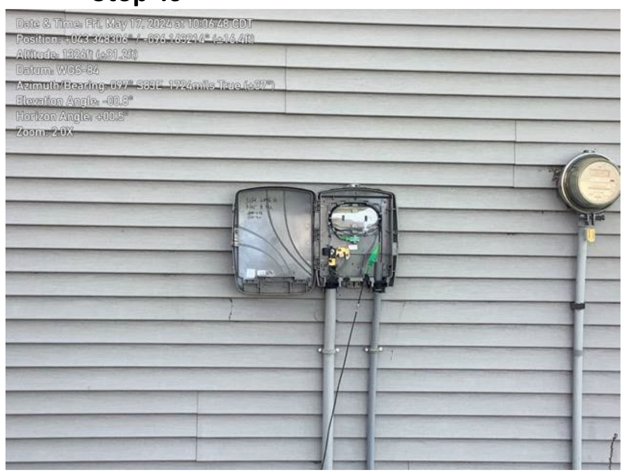
Stop 42

Stop 43

Stop 44

Stop 45

Stop 46



Stop 47

Stop 48

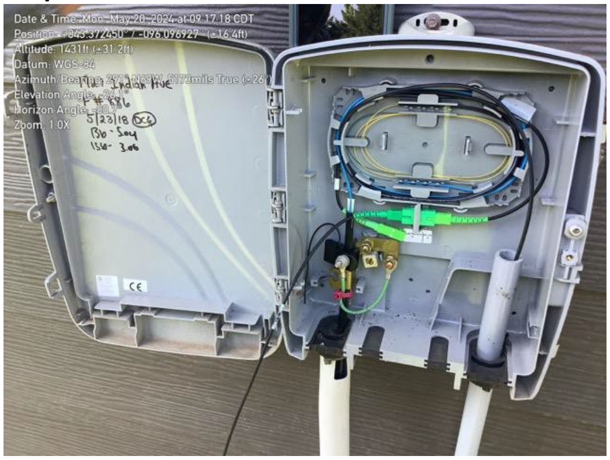
Stop 49

Stop 50

Stop 51

Stop 52

Stop 53



Stop 54

Stop 55

Stop 56

Stop 57

Stop 58

Stop 59

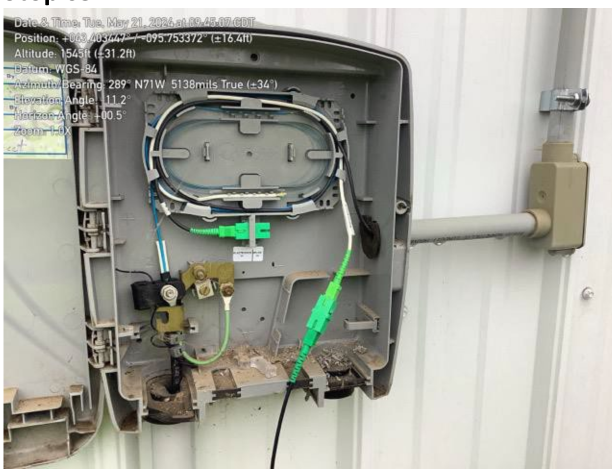
Stop 60

CONNECTED NATION VENTURES

Stop 61

Stop 62

Stop 63



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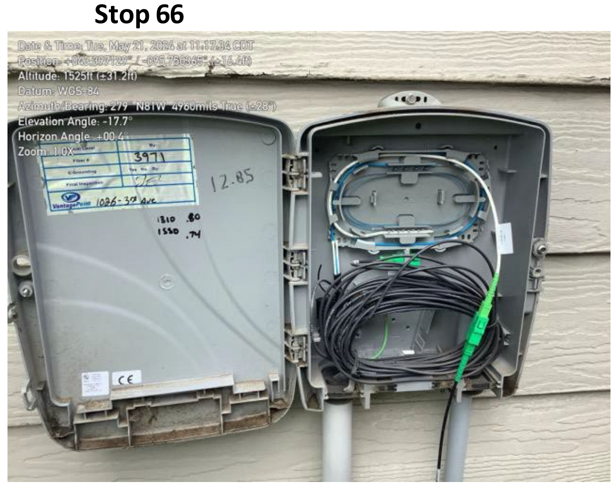
Stop 65

Stop 66



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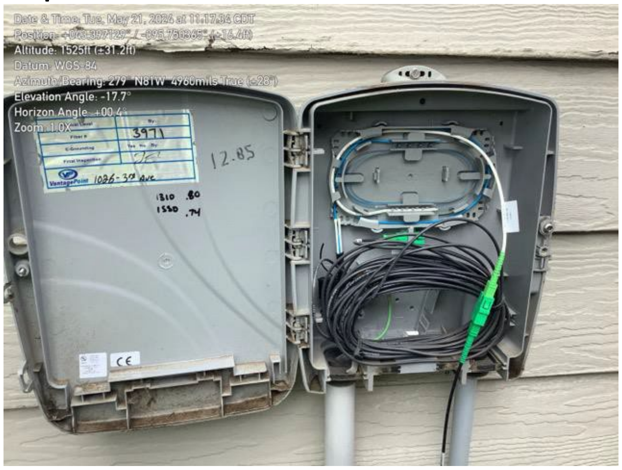

Stop 68

Stop 69

This concludes the report.

Attachment G

HC2022MO033

Hawaiian Telcom Inc.

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

USAC Audit No. HC2022MO033

TABLE OF CONTENTS

EXECUTIVE SUMMARY

March 12, 2025

Keith Yoshino, Director
117 Bishop St.
Honolulu, HI 96813

Dear Keith Yoshino:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Hawaiian Telcom Inc. (Beneficiary), for the study area codes (SAC) and disbursements described in the Purpose, Scope and Procedures section, for the periods January 1, 2015 through December 31, 2021 for Connect America Fund (CAF) Phase II Model 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). Compliance with 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 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 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 subject to the program requirements 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
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	CAFII Model Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.309(a)(1) (2019) - Locations Did Not Meet Public Interest Obligations. The Beneficiary failed to comply with the location eligibility requirements for two out of 104 units selected.	$0
Finding #2: FCC DA 16-1363 (2016) – Inaccurate Location Information Reported on the HUBB. The Beneficiary reported incorrect addresses and/or geolocations for eight units out of 104 units selected in the HUBB.	$0
Total	**$0**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 623100. 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.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

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

SCOPE

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

State	SAC	CAF Phase II Model Support	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	No. of Units Tested
Hawaii	623100	$29,821,738	10,040	10,844	104

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[2] the Beneficiary reported and certified in the HUBB portal at the last milestone to determine whether the Beneficiary satisfied the requirements based on the FCC's support authorization letter.[3]

B. Broadband Deployed using CAF Phase I vs. CAF Phase II Support

AAD compared the locations reported and certified for CAF Phase II Model to the locations the Beneficiary reported and certified for CAF Phase I Round 2 to determine whether the Beneficiary included locations deployed using CAF Phase I Round 2 as part of its CAF Phase II Model support build-out obligations.[4]

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[1] CAF Phase II Model support was initially authorized through December 31, 2020, but the FCC extended the support term for an additional year, through the end of 2021. The FCC provided the carriers with an opportunity to submit updates to the locations reported and certified in the High Cost Universal Broadband portal submission by March 1, 2022.

[2] 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. See also, *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, Residential Locations and Business Locations, pages 4-5 (Wireline Comp. Bur. December 8, 2016).

[3] *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (Wireline Comp. Bur. 2015).

[4] *Connect America Fund ETC Annual Reports and Certifications, Rural Broadband Experiments,* FCC 16-28, Order (Wireline Comp. Bur. March 9, 2016).

C. Documentation Review, Site Visit, and Sample Selection – Use of Specialist

AAD contracted 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 the locations tested to the population not tested.

AAD also contracted the services of a professional engineering firm, CN Ventures, 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 other FCC requirements for the locations selected for testing.

D. Location Eligibility, Address and Coordinates

AAD examined the locations[5] 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 blocks. In addition, AAD assessed whether the locations met the FCC deployment criteria, and whether service could be provided within 10 business days upon request.[6] 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.[7]

E. 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, met the public interest obligations for offering broadband service (at the minimum downstream/upstream) with latency suitable for real-time applications (including VoIP), had usage capacity that was reasonably comparable to offerings in urban areas, and had rates that were reasonably comparable to offerings in urban areas.[8]

F. Site Visits

AAD performed a physical inspection of each sampled location, including corroborating whether the geocodes of the physical location service were operational or could become operational within 10 business days and conducting the engineering tests to measure the download speed, upload speed, and latency to determine whether the results met the performance requirements.

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[5] A location is one pair of geographic coordinates.

[6] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, note 11 (Wireline Comp. Bur. December 8, 2016).

[7] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, page 6 – Do's and Don'ts (Wireline Comp. Bur. December 8, 2016).

[8] *See* 47 C.F.R. § 54.310(c) (2019), 47 C.F.R. § 54.320(d)(2) (2019), and 47 C.F.R. § 54.309(a)(1) (2019).

G. 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.

H. Take Rate Analysis

AAD examined the results of the USAC Data Team and FCC analysis using PMM data to identify subsidized census blocks with low subscribership. AAD inquired with the Beneficiary to gain an understanding of why select census blocks with broadband deployment had very few subscribers. AAD determined whether the explanations were deemed reasonable.

DETAILED AUDIT FINDINGS

FINDING #1: 47 C.F.R. § 54.309(a)(1) (2019) – Locations Did Not Meet Public Interest Obligations

CONDITION

AAD selected a statistically valid sample of 104 units (77 locations) that the Beneficiary reported and certified in the HUBB portal for CAF II Model support at the 100 percent milestone and, using an independent engineering firm, performed physical inspections to determine whether a) the locations met the requirements for CAF II Model support, b) the related geocodes were reported and certified accurately in the HUBB portal, and c) the locations met the public interest obligations for offering broadband service (at least 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds). During the site visit, the independent engineering firm noted the Beneficiary deployed broadband to locations without an eligible structure. See the table below.

State	SAC	Statistically Valid Sample Size (in units)	Failure Description	No. of Ineligible Units A
Hawaii	623100	104	No eligible structure	2

The Beneficiary acknowledged the results and accepted the finding. Pursuant to DA 16-1363, carriers must not report empty parcels of land, Wireless infrastructure sites, such as cell towers, or duplicate locations in the HUBB.[9] Because two of the Beneficiary's locations did not have an eligible structure as required by FCC Rules, AAD concludes that the Beneficiary included locations that did not meet the qualifying location reporting in its certification to satisfy the public interest obligation for CAF II Model support.

CAUSE

The Beneficiary submitted locations to the HUBB as of a certain period but failed to ensure the HUBB data was complete and accurate.

EFFECT

The monetary effect of 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. Those results were then compared

[9] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* 31 FCC Rcd 12900, 12909 (Wireline Comp. Bur. December 8, 2016) ("Duty to File Complete, Accurate and Timely Data. 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…We expect that carriers will act diligently to timely correct any errors or omissions in all of their HUBB filings, including their initial filings. For example, we expect that carriers will work diligently so that soon after the March 1, 2017 filing deadline, Phase II recipients of model-based support and rate-of return carriers will have submitted any missing data, including any qualifying locations inadvertently not reported, and corrected any data errors or anomalies found by USAC or by the carrier in their March 1, 2017 filing.").

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.[10] See details in the table below.[11]

State	SAC	Total No of Net Failed Units	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)
Hawaii	623100	2	0.87%	10,844	10,711	94	39

While the Beneficiary was required to deploy broadband to a specific required number of units, the Beneficiary reported and certified deployment to locations above the requirement. Therefore, even with the extrapolated (expected) units with errors (94), the remaining population certified in the HUBB exceeded the number of locations 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 E above, AAD concluded that the Beneficiary met the 100 percent milestone.

RECOMMENDATION

AAD recommends that USAC Management make the necessary adjustments in the HUBB for the two locations that failed.

BENEFICIARY RESPONSE

Hawaiian Telcom accepts the AAD findings and corrective recommendations.

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

CONDITION

AAD selected a statistically valid sample of 104 units (77 locations) that the Beneficiary reported and certified in the HUBB portal for the CAF II Model at the 100 percent milestone and performed physical inspections to determine whether the locations were eligible for CAF II Model 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds). The Beneficiary reported inaccurate address locations and/or inaccurate geocoordinates (greater than 36 feet) for eight units in its HUBB data submission for the CAF II

[10] *See* 47 C.F.R. §§ 54.320(d)(2)-(d)(3) (2019).

[11] Rounded to the nearest unit.

[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.

Model support.[13] Because the information was not accurately reported on the HUBB, AAD concluded that the Beneficiary did not comply with the FCC Rules.[14] See the table below.

State	SAC	Inaccurate Address	Inaccurate Geocoordinates	Total No. of Units
Hawaii	623100	2	6	8

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 that the locations' information reported in the HUBB and certified by the Beneficiary was inaccurate or contained errors. However, there is no monetary effect for this finding, as the Beneficiary was able to reconcile the differences and AAD validated the correct geocoordinates.

RECOMMENDATION

AAD recommends that USAC Management make the necessary adjustments in the HUBB for the eight units.

BENEFICIARY RESPONSE

Hawaiian Telcom accepts the AAD findings and corrective recommendations.

[13] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* DA 16-1363, 12900, 12909-10 (Wireline Comp. Bur. December 8, 2016). *See also*, FCC Form 481 Officer Certification.
[14] *Id*.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.309(a)(1) (2019)	Recipients of Connect America Phase II support are required to offer broadband service with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas. For purposes of determining reasonable comparable usage capacity, recipients are presumed to meet this requirement if they meet or exceed the usage level announced by public notice issued by the Wireline Competition Bureau. For purposes of determining reasonable comparability of rates, recipients are presumed to meet this requirement if they offer rates at or below the applicable benchmark to be announced annually by public notice issued by the Wireline Competition Bureau, or no more than the non-promotional prices charged for a comparable fixed wireline service in urban areas in the state or U.S. Territory where the eligible telecommunications carrier receives support. (1) Recipients of Connect America Phase II model-based support are required to offer broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream.
#1	47 C.F.R. § 54.310(c)(1) (2019)	For purposes of meeting the obligation to deploy to the requisite number of supported locations in a state, recipients of Connect America Phase II model-based support may serve unserved locations in census blocks with costs above the extremely high-cost threshold instead of locations in eligible census blocks, provided that they meet the public interest obligations set forth in § 54.309(a) introductory text and (a)(1) for those locations and provided that the total number of locations covered is greater than or equal to the number of supported locations in the state.
#1	47 C.F.R. § 54.320(d)(2) (2019)	***Final Milestone***. Upon notification that the eligible telecommunications carrier has not met a final milestone, the eligible telecommunications carrier will have twelve months from the date of the final milestone deadline to come into full compliance with this milestone. If the eligible telecommunications carrier does not report that it has come into full compliance with this milestone within twelve months, the Wireline Competition Bureau—or Wireless Telecommunications Bureau in the case of mobile carrier participants—will issue a letter to this effect. In the case of Alaska Plan mobile carrier participants, USAC will then recover the percentage of support that is equal to 1.89 times the average amount of support per location received by that carrier over the support term for the relevant percentage of population. For other recipients of high-cost support, USAC will then recover the percentage of support that is equal to 1.89 times the average amount of support per location received in the support area for that carrier over the term of support for the relevant number of locations plus 10 percent of the

Finding	Criteria	Description
		eligible telecommunications carrier's total relevant high-cost support over the support term for that support area. Where a recipient is unable to demonstrate compliance with a final performance testing milestone, USAC will recover the percentage of support that is equal to 1.89 times the average amount of support per location received in the support area for the relevant number of locations for that carrier plus 10 percent of the eligible telecommunications carrier's total relevant high cost-support over the support term for that support area, the total of which will then be multiplied by the percentage of time since the carrier was last able to demonstrate compliance based on performance testing, on a quarterly basis. In the event that a recipient fails to meet a final milestone both for build-out and performance compliance, USAC will recover the total of the percentage of support that is equal to 1.89 times the average amount of support per location received by that carrier over the support term for the relevant number of locations to which the carrier failed to build out; the percentage of support that is equal to 1.89 times the average amount of support per location received in the support area for the relevant number of locations for that carrier multiplied by the percentage of time since the carrier was last able to demonstrate compliance based on performance testing; and 10 percent of the eligible telecommunications carrier's total relevant high-cost support over the support term for that support area.
#1	47 C.F.R. § 54.320(d)(3) (2019)	***Compliance Reviews***. If subsequent to the eligible telecommunications carrier's support term, USAC determines in the course of a compliance review that the eligible telecommunications carrier does not have sufficient evidence to demonstrate that it is offering service to all of the locations required by the final milestone or, in the case of Alaska Plan participants, did not provide service consistent with the carrier's approved performance plan, USAC shall recover a percentage of support from the eligible telecommunications carrier as specified in paragraph (d)(2) of this section.
#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, 12905, 12910 (Wireline Comp. Bur. December 6, 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

Finding	Criteria	Description
		• 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) • Boats, recreational vehicles (RVs), tents, caves, and similar types of shelter that no one is using as a residence 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.
#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, 12910-11 (Wireline Comp. Bur. December 8, 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
#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 – CN VENTURES

USAC High-Cost Broadband Network & Engineering Audit Services Task Order:

HCB07 – Contract: HC2022MO033

Hawaii 623100

July 30, 2024

TABLE OF CONTENTS

Executive Summary

USAC has identified a sample of 77 addresses (104 units) for validation in the Study Area Code (SAC) listed in the table below. The parameters of all locations and units in this SAC are Speed Tier 3 (10 Mbps download x 1 Mbps upload). Of the 77 addresses, 73 are served by Fiber-to- the-Premises (FTTP) technology and 4 with Digital Subscriber Line (DSL) technology.

State	SAC	Test Locations	Test Units
Hawaii	623100	77	104

Total Addresses	Location Discrepancies	Download Speed Failures	Upload Speed Failures	Latency Failures	Total Passing	Ineligible Structure	Total Failing
77	8	0	0	0	74	2	75

Field testing was conducted in July 2024.

Connected Nation Ventures (CNV) performed the confirmation of the reported HUBB location to include correct geocoding, structure met eligibility requirements, and verified distance variance was not more than 36 feet. CNV performed the KPI testing as described and found 77 locations passing the KPI speed and latency requirements. Using the navigation device, the reported HUBB coordinates compared to the reported HUBB address created a challenge that was resolved by physically verifying the address on the structure or mailbox when available or by referencing mapping programs. CNV discovered four location exceptions; two HUBB-supplied addresses had the incorrect address, but the latitude and longitude were correct. The reported HUBB addresses of 11 2981 Uluhemalu Rd, Volcano, HI, 96785 should have been 11-2926 Uluhe St, Volcano, HI, 96785 and the reported address 11041182 TMK Address, Mountain View, HI, 96771 should have been 11-3027 Lehua St, Mountain View, HI, 96771; one address 88- 1728 Hawaii belt Rd, Captain Cook, with a geo-code of 19.221021, 155.86361 is a duplicate address on the same parcel but separate structure. The final discrepancy is 59 602 Kohala Mountain Rd, Kamuela, HI, 96743, identified as a cellular site communication building near the base of a tower, which is not a valid structure.

Testing Process

Pre-Visit Site Planning

The engineering review was completed to assess all the sample addresses for their physical location and research their available broadband service; this work was divided into a geocoding[1] review and a carrier website review.

The geocoding review included:

- Geocoding each address to find its physical location (the CNV location);
- Reviewing the location against the carrier's submitted coordinates to see if the location is comparable (i.e., within the same parcel boundary, within 36 feet of each other, etc.);
- Confirming the CNV location for each address is within Connect America Fund (CAF) Phase 2 eligible area;
- Reviewing if the CNV location for each address is within a high-cost area, which impacts other review parameters;
- Confirmed there were no duplicate address locations.

The carrier website review included:

- Confirming the address is listed as being served per carrier website;
- Confirming the address has at least the minimum speed tier available, per the requirements;
- If the address is within a high-cost area, confirming the monthly price to the consumer is less than $84;
- If the address is within a high-cost area, confirming the consumer would have unlimited data.

Any address that failed the engineering review was sent to the carrier for review and feedback. Below is a table of addresses that failed at least one part of the engineering review following Carrier feedback.

Address	City	Geocode	Failure Type(s)	Resolution
88-1728 HAWAII BELT RD	CAPTAIN COOK	19.221021, 155.86361	Duplicate address	Same parcel separate structure

CNV worked with Hawaiian Telcom to confirm the HUBB reported addresses should have been reported as an additional unit to 88-1728 Hawaii Belt Rd at Geocode 19.22239, -155.87106.

Field Testing

CNV deployed a server network utilizing Viavi Fusion software, which was responsible for controlling the testing configuration and parameters. It was assessed and certified by Hawaiian Telcom, Viavi, and CNV prior to deployment. The Fusion software deploys RFC6349 (TrueSpeed) technology programmed to allow for a Transmission Control Protocol test duration of 20 seconds, performs 100 pings of 24 bytes of data every 50 milliseconds, with a minimum

[1] The process of identifying geospatial coordinates (latitude and longitude) for an address.

Committed Information Rate (CIR) of 15 Mbps by 2 Mbps for the 77 HUBB locations and 104 units.

When applicable, the Viavi HSC-100 handheld test unit (Viavi test unit) was connected to the subscriber's residential gateway device (RG) using a Cat5 ethernet test cable. A representative of Hawaiian Telcom accompanied CNV to each test location and installed the RG when the subscriber was unavailable, or the location was not an active subscriber. CNV connected the Viavi test unit (NSC-100) to the RG, selected the appropriate server based on traceroute results performed, and executed the required KPI testing to determine a pass/fail of specific KPIs per the milestone obligations per the FCC Rules. The TrueSpeed report contains all the required testing data, the Bad Elf GPS (Global Positioning System)[2] captured coordinates, and Esri Field Maps[3] contain the specific location and speed test results.

CNV documented and reported in its findings any submitted locations that are non-compliant building types, locations discovered to be outside of the CAF-II eligible area, and issues with geocodes, including street address issues that are found to be inaccurate with the HUBB certifications. Included in this final report are any locations that have insufficient network capabilities that would prevent the installation of Speed Tier 3 services within 10 business days, test results that determine the carrier will not be able to supply the KPIs required and were part of the Performance Management Module (PMM) submission, if applicable.

Challenges

CNV experienced the road conditions around the Mountain View area to be in extremely poor condition and the max speed to safely traverse was 5 Mph.

In many instances across all islands, the structures were gated, and the physical identification of a structure was not possible.

The address identification of a location was not always present.

Travel between the smaller islands was exceedingly difficult due to the minimum number of seats on a plane, the minimum number of daily flights, and the tradesmen and firefighters traveling to work on the islands. This caused the locations testing on Molokai Island to be performed by CNV personnel only and the KPI testing to be performed at the serving center serving the island.

The infrastructure was mostly overhead, overgrown with foliage, unsafe to access the MFST, and not near the road easement, so many locations were tested at the Fiber-to-the-Premises serving center.

[2] Bad Elf GPS is a global positioning device that tracks coordinates for mapping and surveying activities.
[3] Esri is the global leader in geographic information systems technologies; ArcGIS Field Maps is the mobile solution for reviewing and capturing location data.

Conclusion

CNV assessed all 77 locations consisting of 104 units with the technology of Fiber-to-the-Premises at 73 locations and 4 with Digital Subscriber Line technology, with all 77 locations passing KPIs in the field at, or above, 10 Mbps download by 1 Mbps upload and less than 100ms latency. CNV discovered four location exceptions: two HUBB-supplied addresses had the incorrect address, but the latitude and longitude were correct; one address is a reported duplicate address on the same parcel but with a separate structure; and the final discrepancy is a location being identified as a cellular site communication building near the base of a tower which is not a valid structure. Hawaiian Telcom supplied the serving center location for all the sample locations. The supplied data aligned with the field results captured during location verification and KPI testing except for 4 location discrepancies.

- Hawaiian Telcom met 77 of the 77 speed, latency, and technology deployment expectations to the tested locations.
- Hawaiian Telcom met 73 of the 77 location HUBB requirements, with one location failing in the pre-site visit engineering survey and field testing, and the final three failing during field testing.
- During the pre-site review, CNV discovered one HUBB address reporting discrepancy where one address, 88-1728 Hawaii Belt Rd, Captain Cook, with a geocode of 19.221021, 155.86361, is a duplicate address on the same parcel but separate structure and should have been represented as a unit.
- CNV discovered four location exceptions; two HUBB-supplied addresses had the incorrect address, but the latitude and longitude were correct. The reported HUBB addresses of 11 2981 Uluhemalu Rd, Volcano, HI, 96785 should have been 11-2926 Uluhe St, Volcano, HI, 96785 and the reported address 11041182 TMK Address, Mountain View, HI, 96771 should have been 11-3027 Lehua St, Mountain View, HI, 96771; one address 88-1728 Hawaii belt Rd, Captain Cook, with a geocode of 19.221021, 155.86361 is a duplicate address on the same parcel, separate structure geocoding and should have been included as an additional HUBB unit; address 59 602 Kohala Mountain Rd, Kamuela, HI, 96743 being identified as a cellular site communication building near the base of a tower which is not a valid structure.
- CNV discovered six locations with incorrect geocoding.
  - 92 925 KAHILI BLVD
  - 92 925 KAMAAINA BLVD
  - 92-8644 CATAMARAN LN
  - 59 602 KOHALA MOUNTAIN RD
  - 43 1457 POHAKEALANI RD
  - 16 2111 SUGARCANE

Appendix A – Location Data Table 1

Address	City	State	Zip	Units	Stop #	Latitude	Longitude	Discrepancies
88-1728 HAWAII BELT RD	CAPTAIN COOK	HI	96726	1	20	19.221021	-155.86361	Ineligible Structure
59 602 KOHALA MOUNTAIN RD	WAIMEA	HI	96743	1	25	20.126058	-155.777645	Ineligible Structure
11 2981 ULUHEMALU RD	MOUNTAIN VIEW	HI	96785	1	47	19.448565	-155.15545	Address wrong
11041182 TMK ADDRESS	MOUNTAIN VIEW	HI	96771	1	50	19.50384	-155.072205	Address wrong
92 925 KAHILI BLVD	OCEAN VIEW	HI	96772	1	1	19.058397	-155.786294	Wrong Geocodes
92 788 KOHALA BLVD	OCEAN VIEW	HI	96772	1	2	19.042714	-155.775214	
92 925 KAMAAINA BLVD	OCEAN VIEW	HI	96772	1	3	19.050332	-155.769009	Wrong Geocodes
92-1233 KAMAAINA BLVD	OCEAN VIEW	HI	96772	1	4	19.069595	-155.759277	
92 1424 WALAKA DR	OCEAN VIEW	HI	96772	1	5	19.083372	-155.76478	
92-1864 CORAL PKWY	OCEAN VIEW	HI	96772	1	6	19.100995	-155.756587	
92-8644 CATAMARAN LN	OCEAN VIEW	HI	96772	1	7	19.104438	-155.757771	Wrong Geocodes
92-8259 PLUMERIA LN	OCEAN VIEW	HI	96737	1	8	19.107684	-155.740611	
92 8217 MARLIN BLVD	OCEAN VIEW	HI	96772	1	9	19.118357	-155.732736	
92-2296 MAHIMAHI DR	OCEAN VIEW	HI	96772	1	10	19.131717	-155.768596	
92-8954 TIKI LN	OCEAN VIEW	HI	96772	1	11	19.120048	-155.767414	
92 9049 PARADISE PKWY	OCEAN VIEW	HI	96772	1	12	19.11718928	-155.7753168	
92-1856 PALM PKWY	OCEAN VIEW	HI	96772	1	13	19.117022	-155.790214	
92-9123 HAWAII BLVD	OCEAN VIEW	HI	96772	1	14	19.111358	-155.789319	
92-1428 ALOHA BLVD	OCEAN VIEW	HI	96772	1	15	19.097552	-155.801239	
89 929 HAWAII BELT ROAD	CAPTAIN COOK	HI	96726	1	16	19.174975	-155.863685	
88-1563 ALA MALINO RD	CAPTAIN COOK	HI	96726	1	17	19.210326	-155.862225	
88-2617 PAPALANI PL	CAPTAIN COOK	HI	96726	1	18	19.2155	-155.86903	
88-1728 HAWAII BELT RD	CAPTAIN COOK	HI	96726	1	19	19.222385	-155.871069	
73 1688 HAO ST	KAILUA KONA	HI	96740	1	21	19.707964	-155.957082	
73 200 KUPIPI ST BLDG 327	KAILUA KONA	HI	96740	4	22	19.737421	-156.04069	
73 200 KUPIPI ST BLDG 363	KAILUA KONA	HI	96740	1	23	19.737166	-156.041536	
62-2410 KAWAIHAE RD APT A	WAIMEA	HI	96743	1	24	20.02373	-155.750972	
47 4970 OLD MAMALAHOA HWY	WAIMEA	HI	96743	1	26	20.04583	-155.57001	
44 3391 HOO KAHUA RD	HONOKAA	HI	96727	1	27	20.037279	-155.425876	

43 1457 POHAKEALA NI RD	PAAUILO	HI	96776	1	28	20.002976	-155.401185	Wrong Geocodes
35 2143 KIHALANI HOMESTEAD RD	LAUPAHOE HOE	HI	96764	1	29	19.969759	-155.236354	
29-681 CHIN CHUCK ROAD	HAKALAU	HI	96710	1	30	19.871075	-155.156369	
28 3104 MAHAKEA RD	PEPEEKEO	HI	96783	1	31	19.849656	-155.091066	
27 634 KALAOA CAMP RD	PAPAIKOU	HI	96781	1	32	19.798529	-155.106694	
774 KOPAA RD	HILO	HI	96720	1	33	19.756163	-155.133115	
17 4481 SOUTH RD	MOUNTAIN VIEW	HI	96760	1	34	19.592479	-155.088292	
11-3360 PALAINUI AVE	MOUNTAIN VIEW	HI	96771	1	35	19.511147	-155.107414	
11-3109 PALAINUI AVE	MOUNTAIN VIEW	HI	96771	1	36	19.49586	-155.099308	
11-1747 PUNAHELE AVE	HILO	HI	96771	1	37	19.483638	-155.093084	
11 1775 PUNAHELE AVE	EDEN ROC	HI	96771	1	38	19.482628	-155.09472	
11-2844 PALAINUI AVE	MOUNTAIN VIEW	HI	96771	1	39	19.480619	-155.08892	
11-1800 NAIA ST	MOUNTAIN VIEW	HI	96771	1	40	19.47921	-155.094603	
11-2807 OHIA AVE	HILO	HI	96771	1	41	19.472346	-155.097902	
11 1986 OMEKA RD	PAHOA	HI	96771	1	42	19.487113	-155.113989	
11 2114 OMEKA RD	MOUNTAIN VIEW	HI	96771	1	43	19.483154	-155.122439	
11 2212 MAKOA RD	PAHOA	HI	96771	1	44	19.464087	-155.118901	
11 2715 LELEHUNA RD	PAHOA	HI	96771	1	45	19.447018	-155.13125	
11-2718 KILINAHE RD	PAHOA	HI	96771	1	46	19.445405	-155.135073	
11 3719 ALAOHIA ST	HILO	HI	96785	1	48	19.426387	-155.207348	
11-3512 PIKAKE ST	MOUNTAIN VIEW	HI	96771	1	49	19.528636	-155.097882	
16 1993 UHINI ANA RD	MOUNTAIN VIEW	HI	96771	1	51	19.499407	-155.057362	
16 1630 OPEAPEA RD	MOUNTAIN VIEW	HI	96749	1	52	19.534999	-155.045037	
16 1462 OPEAPEA RD	MOUNTAIN VIEW	HI	96749	1	53	19.545155	-155.051253	
16 1370 OPEAPEA RD	MOUNTAIN VIEW	HI	96749	1	54	19.550729	-155.053977	
16-1272 PULELEHUA RD	KEAAU	HI	96749	1	55	19.566165	-155.039947	
16-1194 40 AVE	KEAAU	HI	96749	1	56	19.573849	-155.037309	
16-698 ORCHIDLAN D DR	KEAAU	HI	96749	1	57	19.5393	-155.029584	
16-1812 38 AVE	KEAAU	HI	96749	1	58	19.542292	-155.004621	
16-596 AULII ST	KEAAU	HI	96749	1	59	19.532017	-155.013051	
16 2106 KUHIO DR	PAHOA	HI	96749	1	60	19.515313	-155.003521	
16 2111 SUGARCANE LN	PAHOA	HI	96749	1	61	19.513918	-155.005359	Wrong Geocodes
16 2111 EMERALD DR	PAHOA	HI	96749	1	62	19.518016	-154.997689	

CONNECTED NATION VENTURES

14-687 SEAVIEW RD	PAHOA	HI	96778	1	63	19.504236	-154.903086	
12-4358 UPPER PUNA RD	PAHOA	HI	96778	1	64	19.414254	-154.965524	
12 4250 PAHOA KALAPANA RD	PAHOA	HI	96778	1	65	19.416107	-154.957503	
12 108 KIPUKA ST	PAHOA	HI	96778	1	66	19.397805	-154.924326	
12-7034 KAIWA ST	PAHOA	HI	96778	1	67	19.406204	-154.923468	
12-271 W POHAKUPEL E LOOP	PAHOA	HI	96778	1	68	19.409806	-154.928562	
465 HOOLAWA RD UNIT B	HAIKU	HI	96708	1	69	20.921506	-156.237654	
6445 HANA HWY	HAIKU	HI	96708	1	70	20.910406	-156.237939	
101 AIRPORT ACCESS RD	KAHULUI	HI	96732	18	71	20.890612	-156.44222	
614 PALAPALA DR	KAHULUI	HI	96732	7	72	20.88891	-156.444459	
1513 KANAIO KALAMA PARK RD ½	KULA	HI	96790	1	73	20.641605	-156.408581	
363 SEVENTH ST	LANAI	HI	96763	2	74	20.826028	-156.920356	
21 AKA PL	WAILUKU	HI	96757	1	75	21.161529	-157.004609	
3200 KALUA KOI RD	MAUNALOA	HI	96770	1	76	21.16879	-157.257241	
4242 POHAKULOA RD	MAUNALOA	HI	96770	1	77	21.153313	-157.278548	

Appendix B – Test Result Data Table 2

Address	City	Stop #	Technology	Active Subscriber	Pass/Fail	Download Speed (Mbps)	Upload Speed (Mbps)	Latency (ms)
92 925 KAHILI BLVD	NAALEHU	1	Fiber-to-the-Premise	NO	Pass	76	88	10
92 788 KOHALA BLVD	NAALEHU	2	Fiber-to-the-Premise	NO	Pass	71	66	10
92 925 KAMAAINA BLVD	NAALEHU	3	Fiber-to-the-Premise	NO	Pass	63	73	10
92-1233 KAMAAINA BLVD	NAALEHU	4	Fiber-to-the-Premise	NO	Pass	75	92	10
92 1424 WALAKA DR	NAALEHU	5	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	330	488	10
92-1864 CORAL PKWY	NAALEHU	6	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	75	89	9.9
92-8644 CATAMARAN LN	NAALEHU	7	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	376	10
92-8259 PLUMERIA LN	OCEAN VIEW	8	Fiber-to-the-Premise	NO	Pass	372	486	10.6
92 8217 MARLIN BLVD	NAALEHU	9	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	341	10
92-2296 MAHIMAHI DR	NAALEHU	10	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	361	10.7
92-8954 TIKI LN	NAALEHU	11	Fiber-to-the-Premise	NO	Pass	485	364	10.1
92 9049 PARADISE PKWY	NAALEHU	12	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	322	10.1
92-1856 PALM PKWY	NAALEHU	13	Fiber-to-the-Premise	NO	Pass	486	333	9.9
92-9123 HAWAII BLVD	NAALEHU	14	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	488	362	9.8
92-1428 ALOHA BLVD	NAALEHU	15	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	362	9.8
89 929 HAWAII BELT ROAD	HONAUNAU	16	Fiber-to-the-Premise	NO	Pass	486	354	10.1
88-1563 ALA MALINO RD	HONAUNAU	17	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	353	9.3
88-2617 PAPALANI PL	HONAUNAU	18	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	484	361	9.2
88-1728 HAWAII BELT RD	HONAUNAU	19	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	484	372	9.3
88-1728 HAWAII BELT RD	HONAUNAU	20	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	373	9.2
73 1688 HAO ST	KAILUA KONA	21	Fiber-to-the-Premise	NO	Pass	514	377	9.6
73 200 KUPIPI ST BLDG 327	KAILUA KONA	22	DSL	NO	Pass	46	9	21.3
73 200 KUPIPI ST BLDG 363	KAILUA KONA	23	DSL	NO	Pass	46	9	21.2

62-2410 KAWAIHAE RD APT A	KAMUELA	24	Fiber-to-the-Premise	NO	Pass	303	280	16
59 602 KOHALA MOUNTAIN RD	KAMUELA	25	Fiber-to-the-Premise	NO	Pass	418	283	9.4
47 4970 OLD MAMALAHOA HWY	KAMUELA	26	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	513	283	9.4
44 3391 HOO KAHUA RD	HONOKAA	27	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	275	220	10.2
43 1457 POHAKEALANI RD	PAAUILO	28	DSL	NO	Pass	46	8	32.7
35 2143 KIHALANI HOMESTEAD RD	LAUPAHOEHOE	29	Fiber-to-the-Premise	NO	Pass	280	233	15.5
29-681 CHIN CHUCK ROAD	HAKALAU	30	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	273	223	15
28 3104 MAHAKEA RD	PEPEEKEO	31	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	449	235	15
27 634 KALAOA CAMP RD	PAPAIKOU	32	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	434	373	15.2
774 KOPAA RD	HILO	33	DSL	YES - HSI 10/1+	Pass	15	1	23.7
17 4481 SOUTH RD	KURTISTOWN	34	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	474	377	8.5
11-3360 PALAINUI AVE	MOUNTAIN VIEW	35	Fiber-to-the-Premise	NO	Pass	465	377	8.6
11-3109 PALAINUI AVE	MOUNTAIN VIEW	36	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	378	8.6
11-1747 PUNAHELE AVE	MOUNTAIN VIEW	37	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.6
11 1775 PUNAHELE AVE	MOUNTAIN VIEW	38	Fiber-to-the-Premise	NO	Pass	473	377	8.6
11-2844 PALAINUI AVE	MOUNTAIN VIEW	39	Fiber-to-the-Premise	NO	Pass	458	377	8.6
11-1800 NAIA ST	MOUNTAIN VIEW	40	Fiber-to-the-Premise	NO	Pass	486	378	8.6
11-2807 OHIA AVE	MOUNTAIN VIEW	41	Fiber-to-the-Premise	NO	Pass	486	378	8.6
11 1986 OMEKA RD	MOUNTAIN VIEW	42	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	479	357	9.3
11 2114 OMEKA RD	MOUNTAIN VIEW	43	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	427	324	9.4
11 2212 MAKOA RD	MOUNTAIN VIEW	44	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	484	360	9.2
11 2715 LELEHUNA RD	MOUNTAIN VIEW	45	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	442	297	9.3
11-2718 KILINAHE RD	MOUNTAIN VIEW	46	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	470	346	9.4

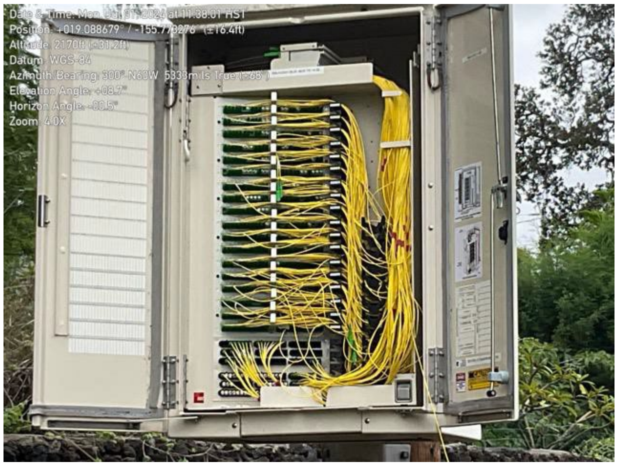
11 2981 ULUHEMALU RD	VOLCANO	47	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	13.1
11 3719 ALAOHIA ST	VOLCANO	48	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	468	368	9.4
11-3512 PIKAKE ST	MOUNTAIN VIEW	49	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	456	377	8.8
11041182 TMK ADDRESS	MOUNTAIN VIEW	50	Fiber-to-the-Premise	NO	Pass	486	377	12.3
16 1993 UHINI ANA RD	MOUNTAIN VIEW	51	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	471	377	8.8
16 1630 OPEAPEA RD	KEAAU	52	Fiber-to-the-Premise	NO	Pass	453	377	12.3
16 1462 OPEAPEA RD	KEAAU	53	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	456	377	8.6
16 1370 OPEAPEA RD	KEAAU	54	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.7
16-1272 PULELEHUA RD	KEAAU	55	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	464	377	8.4
16-1194 40AVE	KEAAU	56	Fiber-to-the-Premise	NO	Pass	463	378	12.1
16-698 ORCHIDLAND DR	KEAAU	57	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	12.2
16-1812 38 AVE	KEAAU	58	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	450	377	12.1
16-596 AULII ST	KEAAU	59	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	462	377	12.2
16 2106 KUHIO DR	KEAAU	60	Fiber-to-the-Premise	NO	Pass	457	378	12.2
16 2111 SUGARCANE LN	KEAAU	61	Fiber-to-the-Premise	NO	Pass	486	378	12.4
16 2111 EMERALD DR	KEAAU	62	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.6
14-687 SEAVIEW RD	PAHOA	63	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.8
12-4358 UPPER PUNA RD	PAHOA	64	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.8
12 4250 PAHOA KALAPANA RD	PAHOA	65	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.7
12 108 KIPUKA ST	PAHOA	66	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	479	377	8.8
12-7034 KAIWA ST	PAHOA	67	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	378	8.7
12-271 W POHAKUPELE LOOP	PAHOA	68	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	486	377	8.8
465 HOOLAWA RD UNIT B	HAIKU	69	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	288	182	8.9
6445 HANA HWY	HAIKU	70	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	281	189	8.9
101 AIRPORT ACCESS RD	KAHULUI	71	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	263	188	8

614 PALAPALA DR	KAHULUI	72	Fiber-to-the-Premise	NO	Pass	278	188	8.1
1513 KANAIO KALAMA PARK RD ½	KULA	73	Fiber-to-the-Premise	NO	Pass	284	188	8.8
363 SEVENTH ST	LANAI	74	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	189	101	5.3
21 AKA PL	KUALAPUU	75	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	278	188	8.4
3200 KALUA KOI RD	MAUNALOA	76	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	283	188	8.8
4242 POHAKULOA RD	MAUNALOA	77	Fiber-to-the-Premise	YES - HSI 10/1+	Pass	281	188	8.9

Map of 77 Test Locations

Hawaii SAC 623100

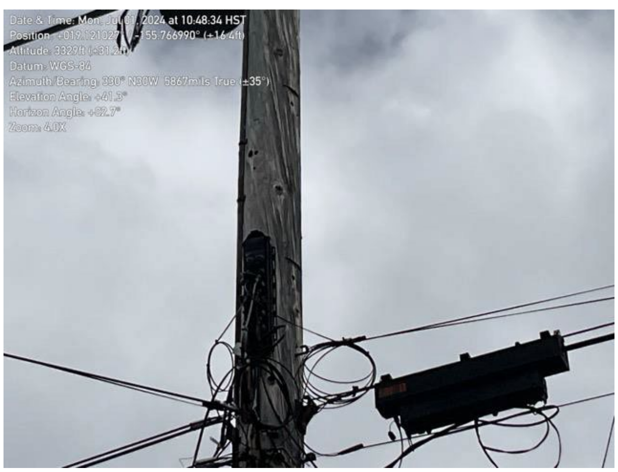
Appendix C – Photographic Evidence


Position: +019.088679° / -155.773276° (±16.4ft)
Datum: WGS-84
Zoom: 4.0X

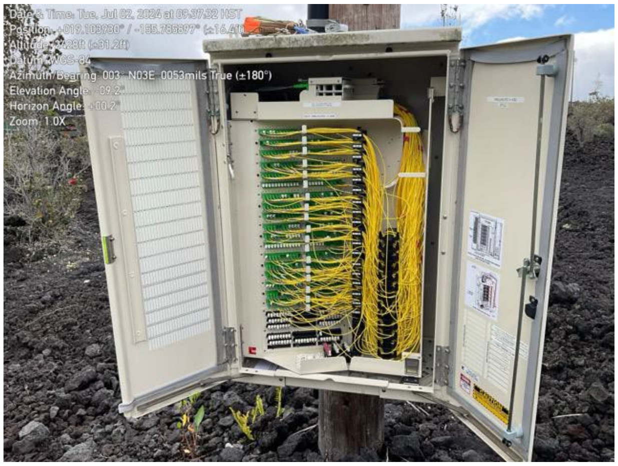

Date & Time: Mon, Jul 01, 2024 at 10:09:31 HST
Position: +019.107139° / -155.739804° (±16.4ft)
Altitude: 3277ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 165° S15E 2933mils True (±32°)
Elevation Angle: +62.4°
Horizon Angle: -02.4°
Zoom: 4.0X


Date & Time: Mon, Jul 01, 2024 at 13:55:29 HST
Position: +019.210154° / -155.868363° (±16.4ft)
Altitude: 1819ft (±31.2ft)
Datum: WGS-84
Zoom: 1.0X


Date & Time: Mon, Jul 01, 2024 at 12:26:37 HST
Position: +019.129228° / -155.747714° (±16.4ft)
Altitude: 4000ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 200° S20W 3556mils True (±180°)
Horizon Angle: -00.5°
Zoom: 1.0X


Date & Time: Mon, Jul 01, 2024 at 10:48:34 HST
Position: +019.121027° / -155.766990° (±16.4ft)
Altitude: 3329ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 330° N30W 5867mils True (±35°)
Elevation Angle: +41.3°
Horizon Angle: +02.7°
Zoom: 4.0X


Datum: WGS-84
Azimuth/Bearing: 109° S71E 1938mils True (±38°)
Zoom: 1.0X


Date & Time: Tue, Jul 02, 2024 at 09:37:32 HST
Azimuth/Bearing: 003° N03E 0053mils True (±180°)
Zoom: 1.0X


Date & Time: Tue, Jul 02, 2024 at 09:20:41 HST
Position: +019.111797° / -155.788834° (±16.4ft)
Altitude: 2617ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 080° N80E 1422mils True (±32°)
Elevation Angle: +39.4°
Horizon Angle: -02.8°
Zoom: 4.0X


Date & Time: Tue, Jul 02, 2024 at 09:30:00 HST
Position: +019.298358° / -155.801655° (±16.4ft)
Altitude: 2067ft (±31.2ft)
Datum: WGS-84
Elevation Angle: +50.6°
Horizon Angle: +02.7°
Zoom: 2.0X

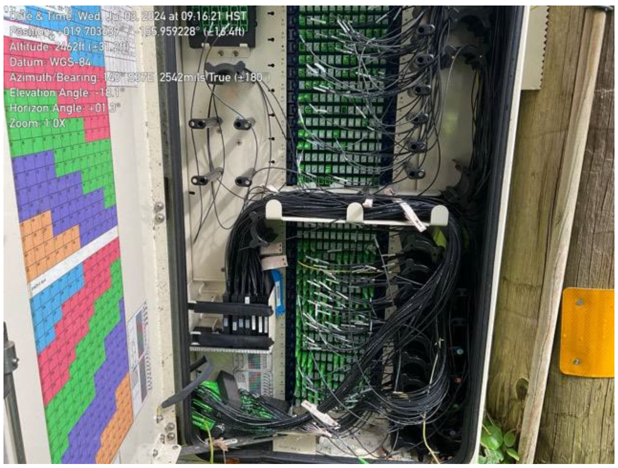

Date & Time: Tue, Jul 02, 2024 at 13:49:27 HST
Zoom: 1.0X

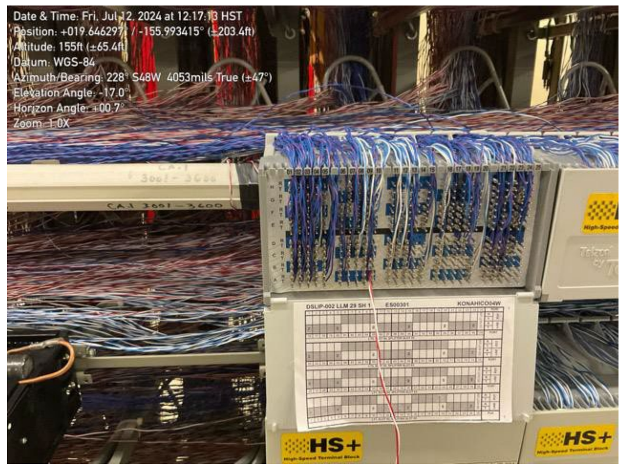

Date & Time: Tue, Jul 02, 2024 at 12:31:01 HST
Position: +019.210124° / -155.868360° (±16.4ft)
Datum: WGS-84
Azimuth/Bearing: 068° N68E 1209mils True (±36°)
Horizon Angle: +00.7°


Date & Time: Tue, Jul 02, 2024 at 11:18:40 HST
Position: +019.215112° / -155.870156° (±16.4ft)
Altitude: 1825ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 288° N72W 5120mils True (±180°)
Elevation Angle: +45.2°
Zoom: 2.0X

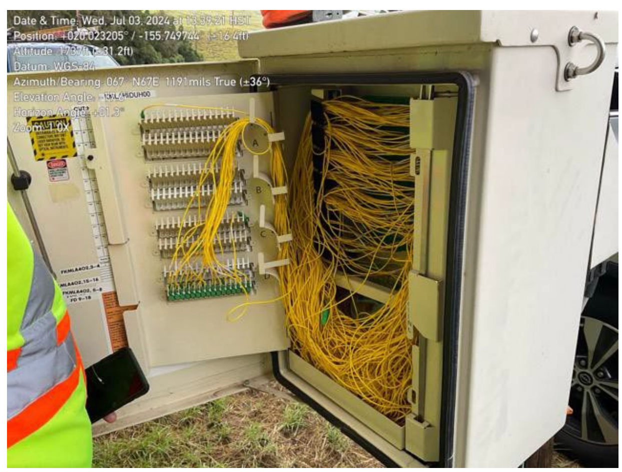

Datum: WGS-84
Zoom: 4.0X


Date & Time: Tue, Jul 02, 2024 at 12:30:26 HST
Position: +019.210092° / -155.868402° (±16.4ft)
Altitude: 1811ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 333° N27W 5920mils True (±34°)
Elevation Angle: -65.2°
Horizon Angle: +09.0°
Zoom: 1.0X


Datum: WGS-84
Zoom: 1.0X


Altitude: 155ft (±65.4ft)
Datum: WGS-84
Azimuth/Bearing: 228° S48W 4053mils True (±47°)
Elevation Angle: -17.0°
Horizon Angle: +00.7°
Zoom: 1.0X
HS+


Altitude: 156ft (±57.0ft)
Datum: WGS-84
Azimuth/Bearing: 250° S70W 4444mils True (±54°)
Elevation Angle: -57.1°
Horizon Angle: +03.4°
Zoom: 1.0X


Azimuth/Bearing: 067° N67E 1191mils True (±36°)


Date & Time: Wed, Jul 03, 2024 at 15:33:34 HST
Altitude: 2558ft (Error)
Datum: WGS-84
Azimuth/Bearing: 237° S57W 4213mils True (±28°)
Elevation Angle: -12.8°
Horizon Angle: +01.6°
Zoom: 1.0X


Date & Time: Wed, Jul 03, 2024 at 17:03:21 HST
Position: +020.041381° / -155.602482° (±16.4ft)
Altitude: 2905ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 031° N31E 0551mils True (±180°)
Zoom: 1.0X


Date & Time: Fri, Jul 05, 2024 at 12:04:26 HST
Datum: WGS-84
Zoom: 1.0X


Date & Time: Fri, Jul 05, 2024 at 10:48:51 HST
Position: +020.027008° / -155.403701° (±16.4ft)
Altitude: 1990ft (±31.2ft)
Datum: WGS-84
Elevation Angle: -14.7°
Horizon Angle: +02.8°


Date & Time: Fri, Jul 05, 2024 at 14:03:48 HST
Position: +019.980848° / -155.227258° (±16.4ft)
Altitude: 419ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 166° S14E 2951mils True (±26°)
Elevation Angle: -07.3°
Horizon Angle: +03.0°
Zoom: 1.0X


Date & Time: Fri, Jul 05, 2024 at 15:38:13 HST
Position: +019.840290° / -155.103270° (±16.4ft)
Altitude: 590ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 142° S38E 2524mils True (±27°)
Elevation Angle: +17.5°
Horizon Angle: +02.5°
Zoom: 2.0X


Date & Time: Mon. Jul 08, 2024 at 10:28:44 HST
Position: +019.515072 / -155.110392 (±16.4ft)
Altitude: 1735ft (±31.2ft)
Elevation Angle: -05.5°
Horizon Angle: -00.1°
Zoom: 4.0X
RX +3.00 DBM
FROM MTVW TA5K OTDR 3.375 MILES
RMTVW301: 1-12/FKEAU402: 157-168


Date & Time: Mon, Jul 08, 2024 at 09:54:40 HST
Position: +019.483759° / -155.094220° (±16.4ft)
Altitude: 1863ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 294° N66W 5227mils True (±37°)
Elevation Angle: +30.4°
Horizon Angle: +00.6°
Zoom: 4.0X


Altitude: 1727ft (±31.2ft)
Datum: WGS-84
Elevation Angle: +08.4°
Horizon Angle: +00.6°
Zoom: 1.0X

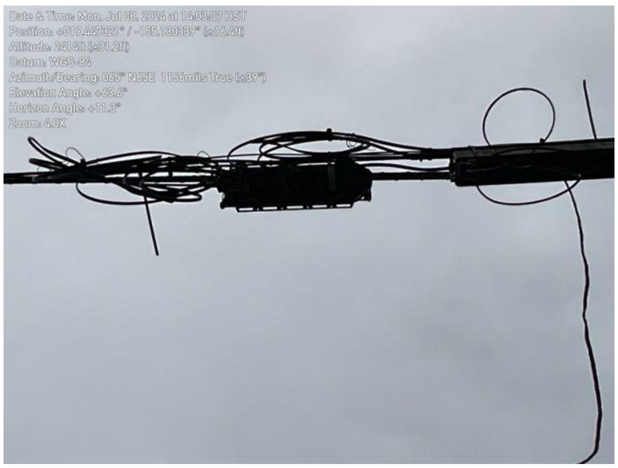

Date & Time: Mon, Jul 08, 2024 at 09:35:25 HST
Position: +019.479138° / -155.088675° (±16.4ft)
Altitude: 1864ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 028° N28E 0498mils True (±180°)
Elevation Angle: +48.7°
Horizon Angle: +06.6°
Zoom: 4.0X

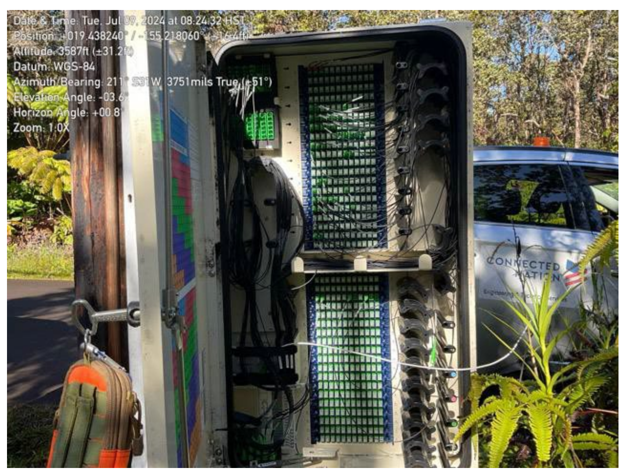

Date & Time: Mon, Jul 08, 2024 at 09:45:24 HST
Position: +019.479450° / -155.093764° (±16.4ft)
Altitude: 1898ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 098° S82E 1742mils True (±47°)
Elevation Angle: +48.2°
Horizon Angle: -24.1°
Zoom: 4.0X


Date & Time: Mon, Jul 08, 2024 at 10:11:40 HST
Position: +019.472521° / -155.097560° (±16.4ft)
Altitude: 1946ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 218° S38W 3876mils True (±32°)
Elevation Angle: +33.3°
Horizon Angle: +02.2°
Zoom: 4.0X


Date & Time: Mon, Jul 08, 2024 at 14:26:57 HST
Altitude: 2340ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 147° S33E
Elevation Angle: -04.5°
Horizon Angle: -02.0°
Zoom: 1.0X






Date & Time: Tue, Jul 09, 2024 at 12:53:45 HST
Position: +019.527694° / -155.038996° (±16.4ft)
Altitude: 1082ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 307° N53W 5458mils True (±46°)
Elevation Angle: +01.2°
Horizon Angle: +02.1°
Zoom: 1.0X


Date & Time: Tue, Jul 09, 2024 at 13:51:31 HST
Position: +019.539222° / -155.081945° (±16.4ft)
Altitude: 1378ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 324° N36W 5760mils True (±42°)
Elevation Angle: -01.4°
Horizon Angle: -00.1°
Zoom: 1.0X


Date & Time: Tue, Jul 09, 2024 at 15:32:24 HST
Position: +019.590900° / -155.047069° (±16.4ft)
Altitude: 637ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 233° S53W 4142mils True (±47°)
Elevation Angle: +10.1°
Horizon Angle: +02.5°
Zoom: 1.0X


Date & Time: Tue, Jul 09, 2024 at 17:50:02 HST
Position: +019.565412° / -155.012415° (±16.4ft)
Altitude: 548ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 346° N14W 6151mils True (±66°)
Elevation Angle: +02.3°
Horizon Angle: +03.9°
Zoom: 1.0X


Date & Time: Tue, Jul 09, 2024 at 16:42:10 HST
Position: +019.539625° / -155.028320° (±16.4ft)
Altitude: 912ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 195° S15W 3467mils True (±41°)
Elevation Angle: +44.5°
Horizon Angle: +02.8°
Zoom: 4.0X


Date & Time: Tue, Jul 09, 2024 at 17:10:04 HST
Position: +019.543532° / -155.002346° (±16.4ft)
Altitude: 642ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 159° S21E 2827mils True (±43°)
Elevation Angle: +63.6°
Horizon Angle: +06.7°
Zoom: 2.0X


Date & Time: Tue, Jul 09, 2024 at 17:18:39 HST
Position: +019.551902° / -155.002323° (±16.4ft)
Altitude: 581ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 328° N32W 5831mils True (±56°)
Zoom: 1.0X


Azimuth/Bearing: 274° N86W 4871mils True
Elevation Angle: -09.0°
Horizon Angle: -01.9°


Date & Time: Wed, Jul 10, 2024 at 08:44:29 HST
Datum: WGS-84
Azimuth/Bearing: 139° S41E 2471mils True (±43°)
Elevation Angle: +40.7°
Zoom: 2.0X

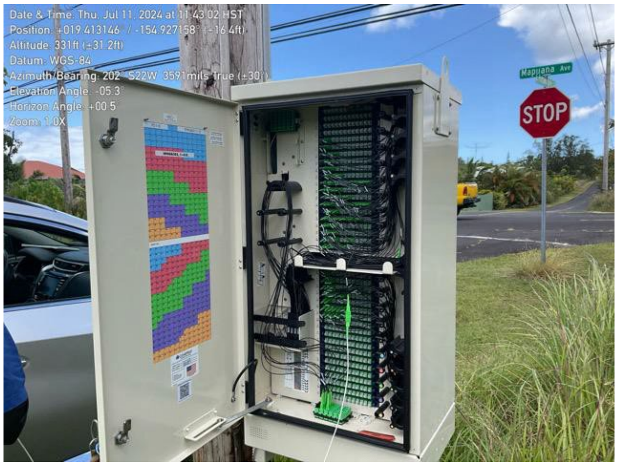

Date & Time: Wed, Jul 10, 2024 at 09:41:24 HST
Position: +019.517637° / -154.997737° (±16.4ft)
Altitude: 823ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 028° N28E 0498mils True (±180°)
Elevation Angle: +55.3°
Horizon Angle: +03.5°
Zoom: 4.0X


Date & Time: Wed, Jul 10, 2024 at 10:46:17 HST
Altitude: 618ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 188° S08W 3342mils True (±41°)
Elevation Angle: -09.9°
Horizon Angle: -00.4°
Zoom: 1.0X


Date & Time: Wed, Jul 10, 2024 at 12:11:12 HST
Altitude: 800ft (±31.2ft)
Datum: WGS-84
Zoom: 2.0X

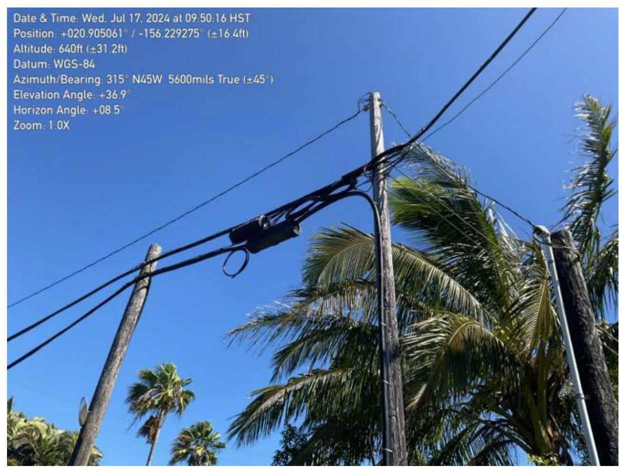

Date & Time: Wed, Jul 10, 2024 at 12:03:10 HST
Datum: WGS-84
Azimuth/Bearing: 136° S44E 2418mils True (±31°)
Elevation Angle: +56.5°
Horizon Angle: +00.2°
Zoom: 2.0X


Datum: WGS-84
Azimuth/Bearing: 121° S59E 2151mils True (±26°)
Zoom: 1.0X

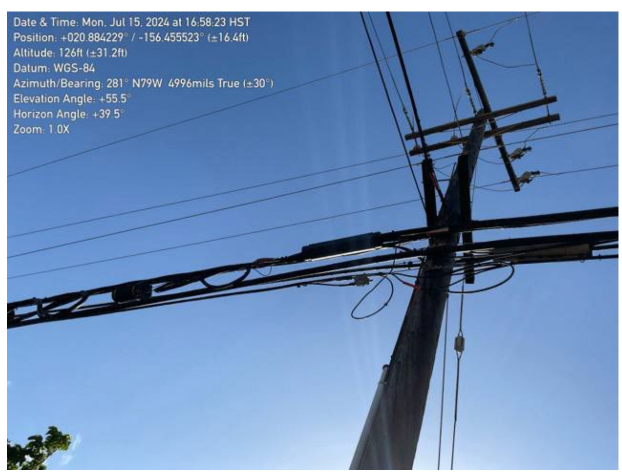

Date & Time: Thu, Jul 11, 2024 at 11:43:02 HST
Position: +019.413146° / -154.927158° (±16.4ft)
Altitude: 331ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 202° S22W 3591mils True (±30°)
Elevation Angle: -05.3
Horizon Angle: +00.5
Zoom: 1.0X
STOP

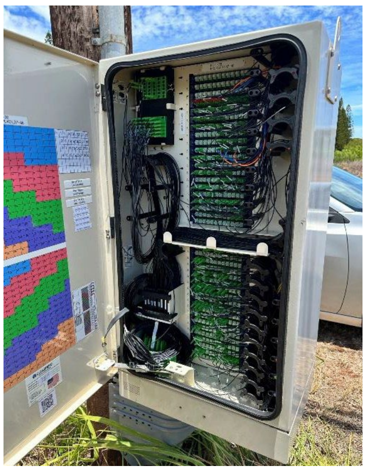

Datum: WGS-84
Elevation Angle: +41.1
Horizon Angle: +01.3
Zoom: 2.0X

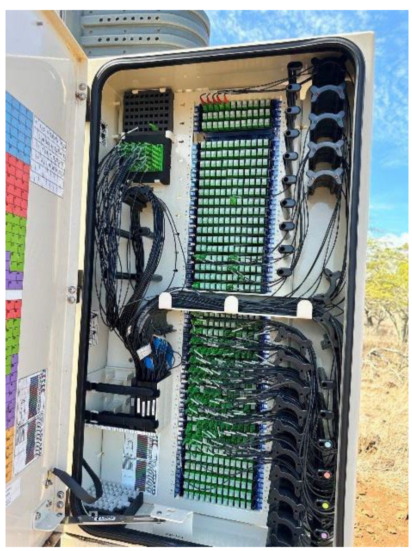

Date & Time: Wed, Jul 17, 2024 at 09:50:30 HST
Position: +020.905062° / -156.229256° (±16.4ft)
Altitude: 638ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 099° S81E 1760mils True (±43°)
Elevation Angle: -02.0
Horizon Angle: -01.3
Zoom: 1.0X


Date & Time: Wed, Jul 17, 2024 at 09:50:16 HST
Position: +020.905061° / -156.229275° (±16.4ft)
Altitude: 640ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 315° N45W 5600mils True (±45°)
Elevation Angle: +36.9°
Horizon Angle: +08.5°
Zoom: 1.0X


Datum: WGS-84
Azimuth/Bearing: 286° N74W 5084mils True (±43°)
Elevation Angle: -00.5
Horizon Angle: +00.6
Zoom: 1.0X


Date & Time: Mon, Jul 15, 2024 at 16:58:23 HST
Position: +020.884229° / -156.455523° (±16.4ft)
Altitude: 126ft (±31.2ft)
Datum: WGS-84
Azimuth/Bearing: 281° N79W 4996mils True (±30°)
Elevation Angle: +55.5°
Horizon Angle: +39.5°
Zoom: 1.0X





This concludes the report.

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment H Consolidated Communications Networks, Inc.	1	• No significant findings.	$2,811,578	$0	$0	Y
Attachment I Midstate Telephone Company	5	• No significant findings.	$2,512,842	$14,348	$14,348	N
Attachment J Brazoria Telephone Company	1	• No significant findings.	$8,626,974	$93,431	$93,431	N
Attachment K Northeast Missouri Rural Telephone Company	2	• No significant findings.	$7,677,138	$84,040	$84,040	N
Attachment L Somerset Telephone Company	0	• Not applicable.	$102,378	$0	$0	N/A
Total	**9**		**$21,730,910**	**$191,819**	**$191,819**	

Attachment H

HC2019MO027

Universal Service
Administrative Co.

Consolidated Communications Networks, Inc.

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

USAC Audit No. HC2019MO027

TABLE OF CONTENTS

Universal Service
Administrative Co.

EXECUTIVE SUMMARY

January 10, 2025

Sarah Haich
Consolidated Communications
507 South Main
Dickinson, ND 58602
701-456-5220

Dear Ms. Haich:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Consolidated Communications Networks, 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 the date of this report 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, Federal Communication Commission (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 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 defined deployment obligations pursuant to the applicable 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	RBE	Monetary Effect and Recommended Withholding
Finding: RBE Order (FCC 14-98) - Locations Did Not Meet Public Interest Obligations. The Beneficiary failed to comply with the location eligibility requirements for one out of 54 units selected.	$0	$0

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 386325, 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.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with FCC Rules, assess the accuracy of the underlying High Cost Universal Broadband (HUBB) portal submission data used to confirm deployment obligations, and 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 January 31, 2025[1]	No. of Locations Reported and Certified in the HUBB as of 3/1/2022[2]	No. of Units Reported and Certified in the HUBB as of 3/1/2022[3]	No. of Units Tested
North Dakota	386325	$2,811,578	163	163	54

BACKGROUND

The Beneficiary is a price cap eligible telecommunications carrier (ETC) that operates in the state identified in the Scope table above. The holding company of the Beneficiary is Consolidated Enterprises, Inc.

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 Broadband (HUBB) portal at the last milestone to determine whether the Beneficiary satisfied the requirements based on the FCC's support authorization letter.[4]

B. Documentation Review, Site Visit, and Sample Selection – Use of Specialist

AAD contracted 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 the locations tested to the population not tested.

AAD also contracted the services of a professional engineering firm, Elite Systems, LLC, to examine evidence of the Beneficiary's broadband deployments, the equipment used to provide the minimum

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[1] The Beneficiary is scheduled to receive RBE disbursements until July 2025 up to the FCC authorized amount of $2,941,969.

[2] Carriers receiving RBE were required to report their location deployments in the HUBB by March 1, 2022.

[3] *Id.*

[4] *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8283 (2015).

upload and download speeds and latency, testing the performance obligations, validating addresses and geographic coordinates, and other FCC requirements for the locations selected for testing.

C. Location Eligibility, Address and Coordinates

AAD examined the locations[5] 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.[6] 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.[7]

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, meeting the public interest obligations for offering broadband service (at minimum downstream/ upstream) with latency suitable for real-time applications (including VoIP), usage capacity that is reasonably comparable to offerings in urban areas and assessing rates that are reasonably comparable to offerings in urban areas.[8]

E. Site Visits

AAD performed a physical inspection of each sampled location, including corroborating the geocodes of the physical location service were operational or could become operational within 10 business days and conducting the engineering tests to measure the download speed, upload speed, and latency and determine 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 exists.

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[5] 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.

[6] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations*, 31 FCC Rcd 12900 (15), note 11 (2016).

[7] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations*, 31 FCC Rcd 12900 (15), page 6 – Do's and Don'ts (2016).

[8] *See* 47 C.F.R. §§ 54.310(c).

DETAILED AUDIT FINDING

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

CONDITION

AAD selected a statistically valid sample of 54 units (54 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 10 Mbps downstream/1 Mbps upstream)[9] with latency suitable for real-time applications (less than 100 milliseconds). During the site visit, the independent engineering firm noted that there was no structure on one of the locations; thus, we concluded that the Beneficiary did not deploy broadband to a location with an eligible structure,[10] as detailed below:

Type of Failure	No. of Failed Units
No eligible structure	1

The Beneficiary asserts that the location had an eligible structure and provided a satellite image of a *mobile* home that was present at the location in 2014, which is one year before the Beneficiary started receiving RBE support and prior to the Beneficiary's certification of said location in the HUBB at its final milestone in 2020. However, during the site visit physical inspection in 2023, the location did not have a mobile home or any other eligible structure. Pursuant to DA-16-1363A1, carriers must not report empty parcels of land in the HUBB; thus, the Beneficiary failed to update the location in the HUBB to ensure the information is complete and accurate.[11] Because the location no longer had an 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.

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[9] *Rural Broadband Experiments Support Authorized for Ten Winning Bids, et al.,* 30 FCC Rcd 8283 (11) (2015).

[10] *Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations,* 31 FCC Rcd 12900 (15), page 6 – Do's and Don'ts (2016).

[11] *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 (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...We expect that carriers will act diligently to timely correct any errors or omissions in all of their HUBB filings, including their initial filings. For example, we expect that carriers will work diligently so that soon after the March 1, 2017 filing deadline, Phase II recipients of model-based support and rate-of return carriers will have submitted any missing data, including any qualifying locations inadvertently not reported, and corrected any data errors or anomalies found by USAC or by the carrier in their March 1, 2017 filing.) (2016).

CAUSE

The Beneficiary submitted locations to the HUBB as of a certain period but failed to ensure the HUBB data is complete and accurate.

EFFECT

AAD extrapolated the one failure in the statistically valid sample (to the total number of units reported for the SAC), which resulted in an error rate as detailed below.[12]

Net Failures	Failure Rate[13] (A)	No. of 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)
1	1.85%	163	162[14]	3	(2)

Given that the Beneficiary was required to deploy to 162 locations, and the extrapolated calculation results in three failures, there is a shortfall of two required locations. AAD calculated that the total monetary effect for this finding is $1,222 per month for the first six months of noncompliance ($24,448.50 monthly disbursement times five percent). If the Beneficiary does not cure its non-compliance within six months, the monetary impact for the next six months (up until the end of the support term) that the entity is not in compliance shall be $6,112 per month ($24,448.50 monthly disbursement times 25 percent of the entity's total monthly support).[15]

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[12] Rounded to the nearest unit. It does not include non-statical sample results.

[13] 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.

[14] The Bureau waived the Beneficiary's obligation to deploy service to its CAM-determined number of funded locations (171 locations) and adjusted this obligation to 162 locations based on the Beneficiary's reasonable demonstration that this was the number of eligible locations within its study area. *Connect America Fund et.al.*, WC Docket Nos. 10-90, 14-58, Order, 34 FCC Rcd 10308, 10314-16, paras. 13-18 (WCB 2019).

[15] FCC provided guidance to USAC stating that "the Commission has explicitly not applied section 54.320(d) to RBE support recipients but has continued to use the approach adopted in the *RBE Order* (a one year progressive withholding period followed by a draw on the letter of credit)." *See Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, 29 FCC Rcd 15644 n.314 (2014) (stating that the framework for noncompliance (adopted in section 54.302) does not apply to RBE support recipients; rather, the Commission applies the "separate reduction mechanism" adopted

RECOMMENDATION

Based on the deployment obligation shortfall of two locations noted in the Effect section above, the Beneficiary failed to meet the terms and conditions of the Rural Broadband Experiments. Therefore, AAD recommends that the FCC issue a letter evidencing the default by which USAC Management will begin withholding support until the Beneficiary comes into compliance.[16] AAD recommends that the Beneficiary determine whether it will exercise its opportunity to cure this deficiency and address the deployment obligation shortfall of two locations. If the Beneficiary has not come into compliance at the end of the year period, AAD recommends that USAC management work with the FCC to determine additional corrective action.

BENEFICIARY RESPONSE

Based on information received in the January 8, 2025 exit conference meeting, Consolidated Communications Networks provides the following information.

1. Consolidated Communications Networks HUBB milestone data shows 164 total locations, not 163 as stated on the audit call. HUBB screenshots and information below can confirm this number. We request that the audit team review the starting number of 163 locations as this would help the impact of the audit finding.

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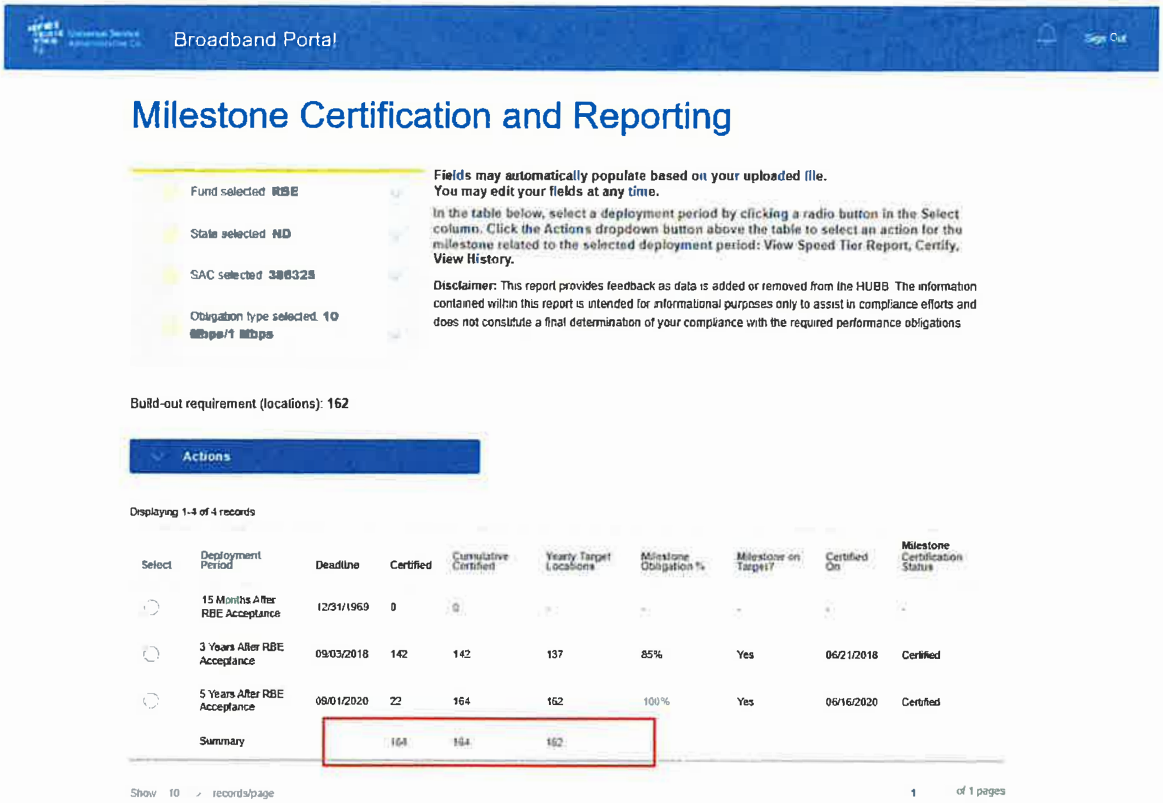
in *RBE Order*) (citing *RBE Order*, 29 FCC Rcd at 8799, para. 92). It is noted further, that per a Commission issued waiver, the Commission has stated that, once a RBE support recipient *no longer* maintains a letter of credit, e.g., USAC has verified compliance with the 100% milestone (post-verification) thus relieving it of this obligation, the Commission will withhold support as described in the *RBE Order* if the Commission were to find that the RBE support recipient is not providing service that meets the Commission's RBE public interest requirements, beginning with the initiation of the one-year withholding period. *See Connect America Fund et al.*, WC Docket No. 10-90 et al., Order, 31 FCC Rcd 2384, 2388, para. 12 (2016).

[16] Connect America Fund, ETC Annual Reports and Certifications, Report and Order, 29 FCC Rcd 8769 (11), para. 92. (2014).


Broadband Portal

Sign Out

Milestone Certification and Reporting

Fund selected RBE

State selected ND

SAC selected 386325

Obligation type selected 10 Mbps/1 Mbps

Fields may automatically populate based on your uploaded file.
You may edit your fields at any time.

In the table below, select a deployment period by clicking a radio button in the Select column. Click the Actions dropdown button above the table to select an action for the milestone related to the selected deployment period: View Speed Tier Report, Certify, View History.

Disclaimer: This report provides feedback as data is added or removed from the HUBB The information contained within this report is intended for informational purposes only to assist in compliance efforts and does not constitute a final determination of your compliance with the required performance obligations

Build-out requirement (locations): 162

Actions

Displaying 1-4 of 4 records

Select	Deployment Period	Deadline	Certified	Cumulative Certified	Yearly Target Locations	Milestone Obligation %	Milestone on Target?	Certified On	Milestone Certification Status
	15 Months After RBE Acceptance	12/31/1969	0	0	-	-	-	-	-
	3 Years After RBE Acceptance	09/03/2018	142	142	137	85%	Yes	06/21/2018	Certified
	5 Years After RBE Acceptance	09/01/2020	22	164	162	100%	Yes	06/16/2020	Certified
	Summary		164	164	162				

Show 10 records/page

1 of 1 pages

2. Consolidated Communications Networks has reviewed current information and audit documentation, and we agree with the finding of "No Eligible structure" for the mobile home previously located at 3152 116th Ave SW, Dickinson ND.

   In 2014, we built fiber facilities to a mobile home which existed until approximately November 2019 when the owner removed the mobile home from that location. Due to lack of information provided to Consolidated by the consumer, and internally to the correct parties, we did not remove the location from the HUBB at that time; therefore, it was reported as an eligible location when our milestone reporting concluded.

   The screenshots below show that I have effectively removed the location, which reduced our Milestone number from 164 to 163.

Displaying 1-1 of 1 records

	SAC	Uploaded On	Carrier Location ID	Latitude	Longitude	Date of Deployment	Speed Tier	State	Locations	View/Edit
☐	386325	01/08/2025	54550	46.955841	-102.893513	8/29/2014	9	ND	1	

Show 10 records/page 1 of 1 pages

Broadband Portal Sign Out

Home | Manage Uploads | Location Details | Milestone Certification and Reporting | Annual Certification

Milestone Certification and Reporting

Fund selected: **RBE**

State selected: **ND**

SAC selected: **386325**

Obligation type selected: **10 Mbps/1 Mbps**

Fields may automatically populate based on your uploaded file.
You may edit your fields at any time.

In the table below, select a deployment period by clicking a radio button in the Select column. Click the Actions dropdown button above the table to select an action for the milestone related to the selected deployment period: View Speed Tier Report, Certify, View History.

Disclaimer: This report provides feedback as data is added or removed from the HUBB. The information contained within this report is intended for informational purposes only to assist in compliance efforts and does not constitute a final determination of your compliance with the required performance obligations.

Build-out requirement (locations): 162

Actions

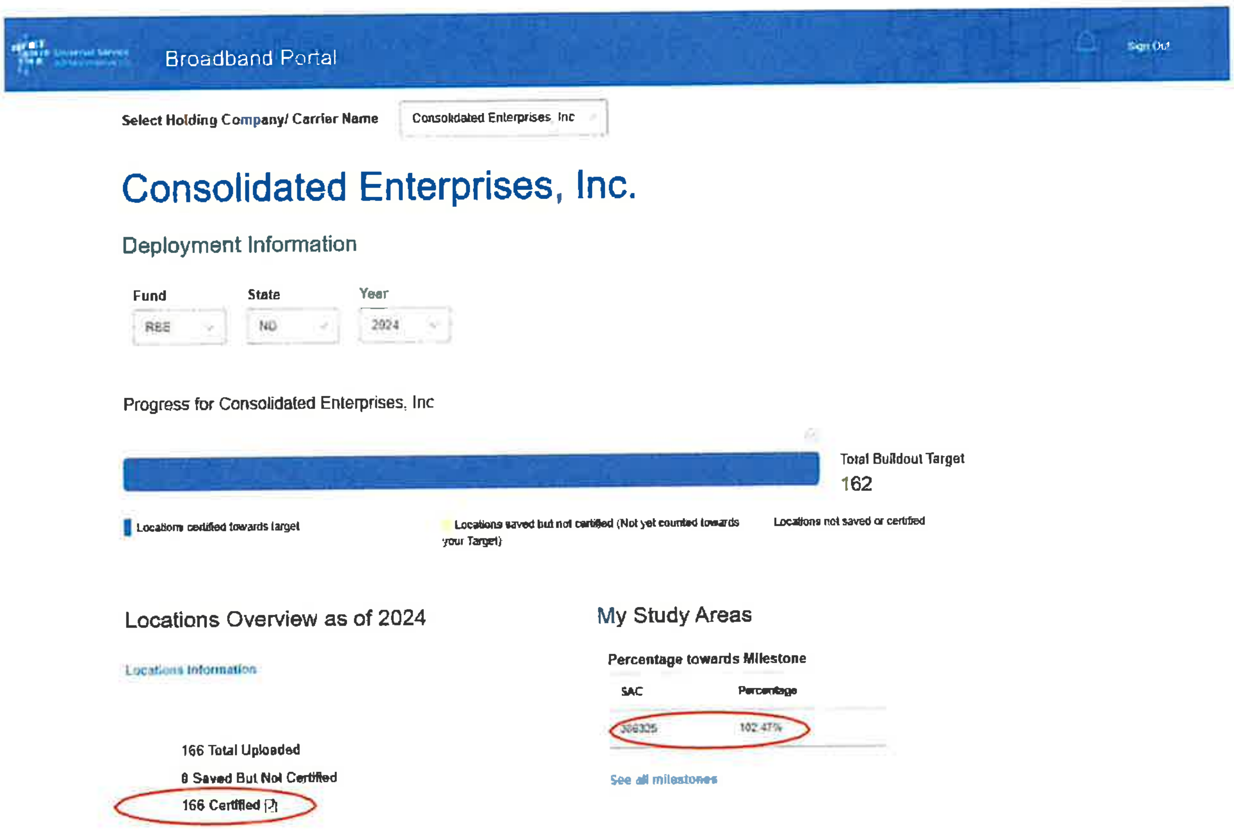
Displaying 1-4 of 4 records

Select	Deployment Period	Deadline	Certified	Cumulative Certified	Yearly Target Locations	Milestone Obligation %	Milestone on Target?	Certified On	Milestone Certification Status
○	15 Months After RBE Acceptance	12/31/1969	0	0	-	-	-	-	-
○	3 Years After RBE Acceptance	09/01/2018	141	141	137	85%	Yes	06/21/2018	Certified
○	5 Years After RBE Acceptance	09/01/2020	22	163	162	100%	Yes	06/16/2020	Certified
	Summary		163	163	162				

Show 10 records/page 1 of 1 pages

3. As of today, Consolidated Communications Networks has 166 total certified locations in the RBE Target area as demonstrated through screenshots and detailed excel listing of locations which is included via email. Three additional locations have been submitted and certified since 2021; therefore, I believe Consolidated Communications Networks remains compliant

to our buildout obligation even with the deductions made from the audit findings.



In summary, please accept this as a detailed explanation in response to the audit. We strive to remain as accurate as possible and apologize for our oversight into not properly documenting the change to this location in the HUBB. Taking steps to immediately rectify the situation, now that we understand more clearly, should demonstrate our willingness to keep our HUBB data accurate and complete.

AAD RESPONSE

In its response, the Beneficiary agreed with the Condition section but disagreed with the number of locations certified on the HUBB as of March 1, 2022, which was used to extrapolate the errors and the shortfall of locations count in the Effect section. The Beneficiary states three main arguments: (1) HUBB records show 164 locations certified instead of 163; (2) as the Beneficiary agreed with the location without eligible structure was on its HUBB certified location, the Beneficiary removed the location upon receipt of this finding, which reduced its HUBB certified location counts from 164 to 163; and (3) the Beneficiary claims it has certified a total of 166 locations in the RBE target area, which are three additional locations and thus, addressed the recommendations to deploy broadband to an additional location in shortfall as noted on the Effect and Recommendation sections above.

HUBB Record Counts
AAD examined the USAC records, in collaboration with the High Cost program management, and identified that although the Beneficiary did submit and certify 164 locations into the HUBB, only 163 locations were accepted by USAC as part of the total counts to meet the RBE support obligations. AAD identified that one location on the carrier's data was duplicative, representing the correction of another reported location in the HUBB as of January 2020. On February 5, 2025, the Beneficiary removed the duplicative location in the HUBB, which AAD confirmed with HC program Management. Therefore, AAD kept its calculation at 163 locations as of March 1, 2022.

Revised Record Counts after Location without Eligible Structure Removal
As discussed in the paragraph above, the Beneficiary had 163 locations accepted by USAC on the HUBB for their RBE support obligations. Therefore, the correct count of locations after removing the location without eligible structure is 162. AAD confirmed with current HUBB data that the Beneficiary removed this location as of January 8, 2025.

Current HUBB Counts after Additional Locations Certified
AAD examined the USAC records, in collaboration with the High Cost program management, and confirmed that the Beneficiary added three new locations to its HUBB for RBE support obligation requirements based on its HUBB certifications on February 14, 2024 (one location) and November 13, 2024 (two locations). On February 26, 2025, AAD and a telecom engineer conducted a site visit to validate 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 10 Mbps downstream/1 Mbps upstream) with latency suitable for real-time applications (less than 100 milliseconds). AAD confirmed that the three new locations met the minimum speeds and latency test and had eligible structures, validated geocodes. Therefore, the Beneficiary has addressed the recommendation to deploy broadband to two additional locations and certified it in the HUBB.

Since the Beneficiary has addressed the recommendation to deploy broadband to two additional locations as certified on the HUBB and removed the location without eligible structure from the HUBB, AAD reduced its monetary effect to $0 for this finding.

AAD also revised its recommendation to remove the recommendation that the FCC issue a letter evidencing the default and the recommendation to withhold support.

CRITERIA

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 (RBE Order) (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 experiments support for the full 10-year support term."

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 and page 12 (2016):

"DO NOT report: ... Empty parcels of land ... Boats, recreational vehicles (RVs), tents, caves, and similar types of shelter that no one is using as a residence...

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."

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."

ATTACHMENT I: SPECIALIST REPORT - ELITE SYSTEMS

ELITE SYSTEMS

ENGINEERING STUDY REPORT

RBE HIGH-COST PROGRAM

CONSOLIDATED COMMUNICATIONS NETWORKS, INC.

State of North Dakota - SAC 386325
Audit ID HC2019MO027

September 20th, 2023

www.elitesystems.com
4000 Legato Road * Fairfax VA 22033* 703-279-1790

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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)

I. EXECUTIVE SUMMARY

Elite Systems was awarded a contract to conduct an independent audit of Consolidated Communications Networks, Inc, verifying compliance with broadband service deployment obligations under the Rural Broadband Experiments (RBE) program. The audit was conducted in North Dakota within Service Area Code (SAC) 386325 and covered 54 locations (units). The audit period extended from February 27, 2023, to March 9, 2023. Initially, Elite Systems was contracted to audit 97 locations within this SAC. However, in January 2023, USAC's Audit and Assurance Division (AAD) issued a revised list, reducing the scope to 54 locations. The engagement was executed under contract number AAD20_108, as part of 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: 10 Mbps
- Upload speed: 1 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

Before 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 the type of broadband technology (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 54 locations (54 units) in this SAC and found locations met the minimum KPIs. A unit is used to refer to an apartment in a multi-dwelling facility where multiple customers could be present. They also identified one location where either no structure or a non-compliant structure was found as per RBE requirements, DA 16-1363. See Table 1

Findings	# of Locations	# of Units
KPI Failure	0	0
Ineligible Location – Building Type	1	1
Empty Parcel	1	1

Table 1: Summary of Exceptions

All KPIs were collected at the closest publicly accessible point to the site using a temporary service set up by Consolidated Communications Networks "RBE beneficiary," as detailed in the next section. Out of the 54 selected locations, 35 are active subscribers to broadband service from Consolidated Communications Networks.

Table 2 outlines Elite Systems' findings regarding what was reported to the HUBB by Consolidated Communications Networks for this sample. For more details, refer to the Locations Field Visit Procedure section.

Issue	# of Locations	# of Units
Incorrect Address Reported on the HUBB	0	0
Geolocation reported more than 36 feet from the validated structure	0	0
Incorrect Address Reported on the HUBB and Geolocation Reported more than 36 feet from the validated structure	0	0
Total	0	0

Table 2: Incorrect HUBB Data Submission

II. TESTING AND DATA COLLECTION APPROACH

1. 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.

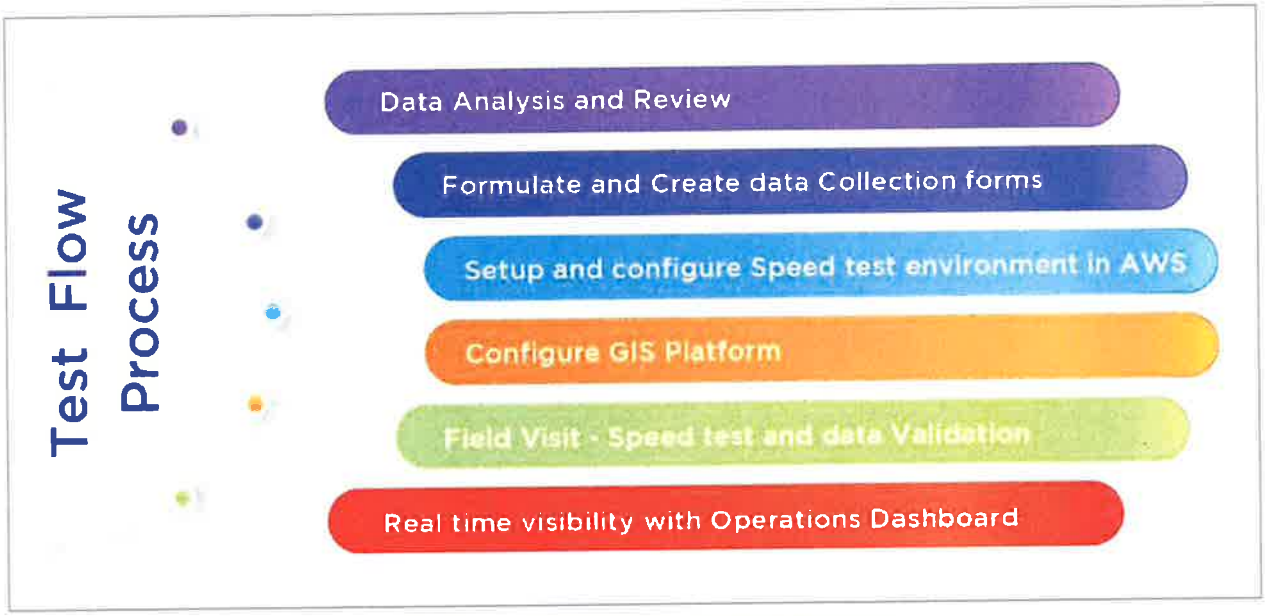

Figure 1: Engineering Testing Process

2. 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 ensured compliance with FCC regulations. 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, including download, upload, and latency. The field teams were accompanied by a representative from Consolidated Communications Networks 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 Consolidated Communications Networks. 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

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.

Figure 3: 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 collecting the KPIs.

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 Consolidated Communications Networks technician provided the correct address using the Consolidated Communications Networks 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).

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[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.)*

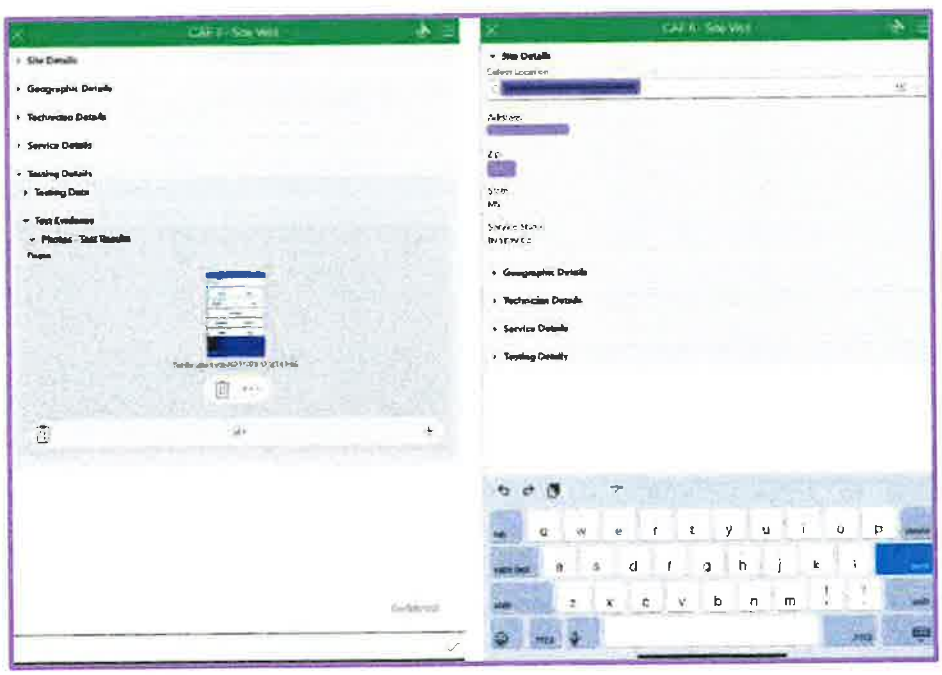
This report is accompanied by 54 individual reports for each location audited. All 54 reports are saved to the USAC SharePoint server. These reports have the following details:

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.

3. 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.



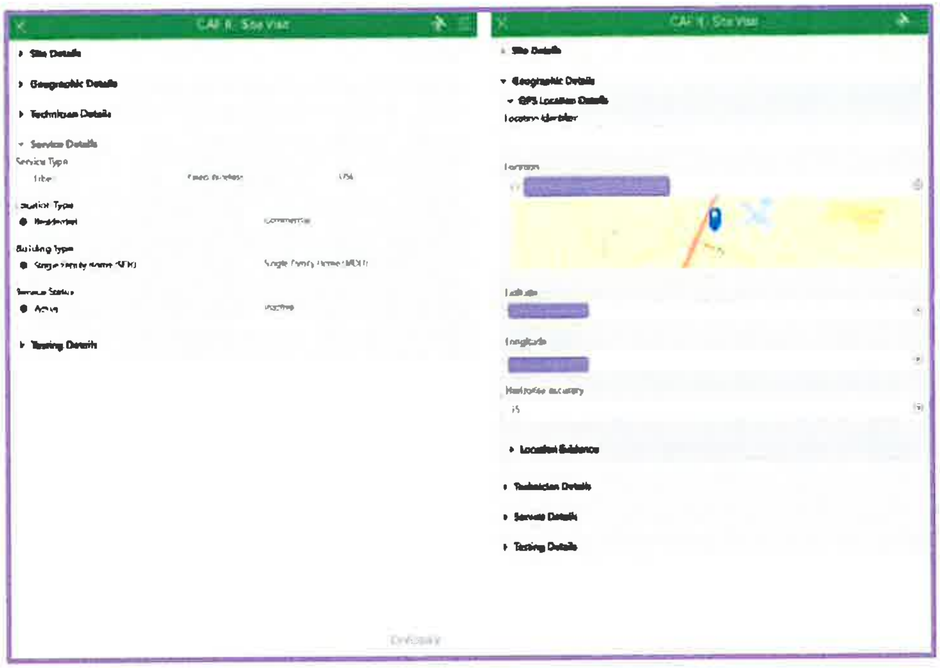


Figure 5: Field Survey Data Collection 2

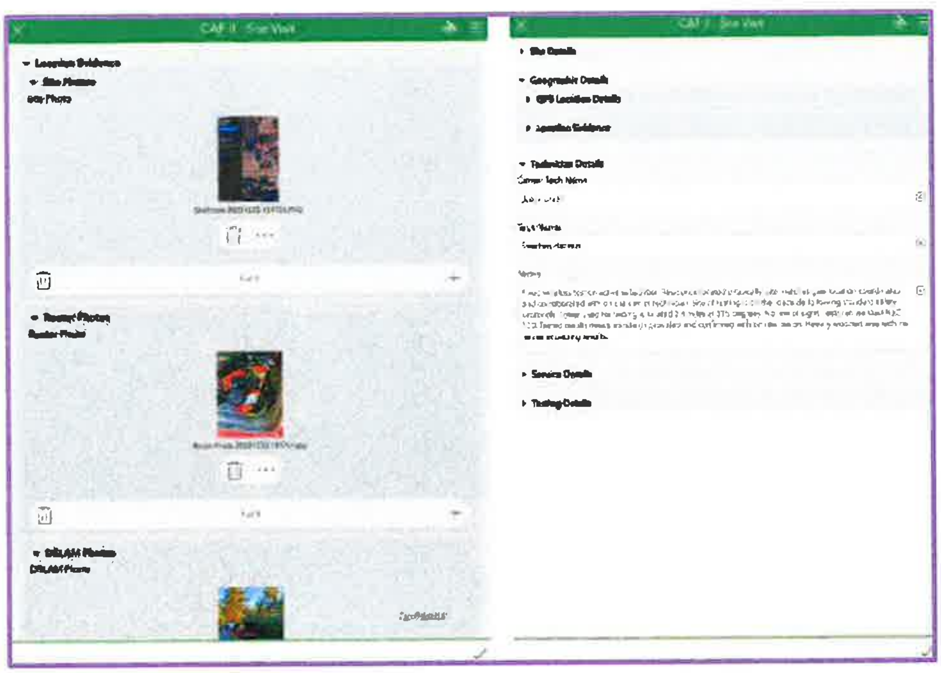


Figure 6: Field Survey Data Collection 3

Figure 7: Dashboard Sample

III. CONCLUSION:

1. DOCUMENTATION REVIEW FINDINGS

The documentation provided by Consolidated Communications Networks met the minimum program 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. Consolidated Communications Networks received $2,395,953.00 out of the $3,096,810.00 allocated to this SAC by the FCC.

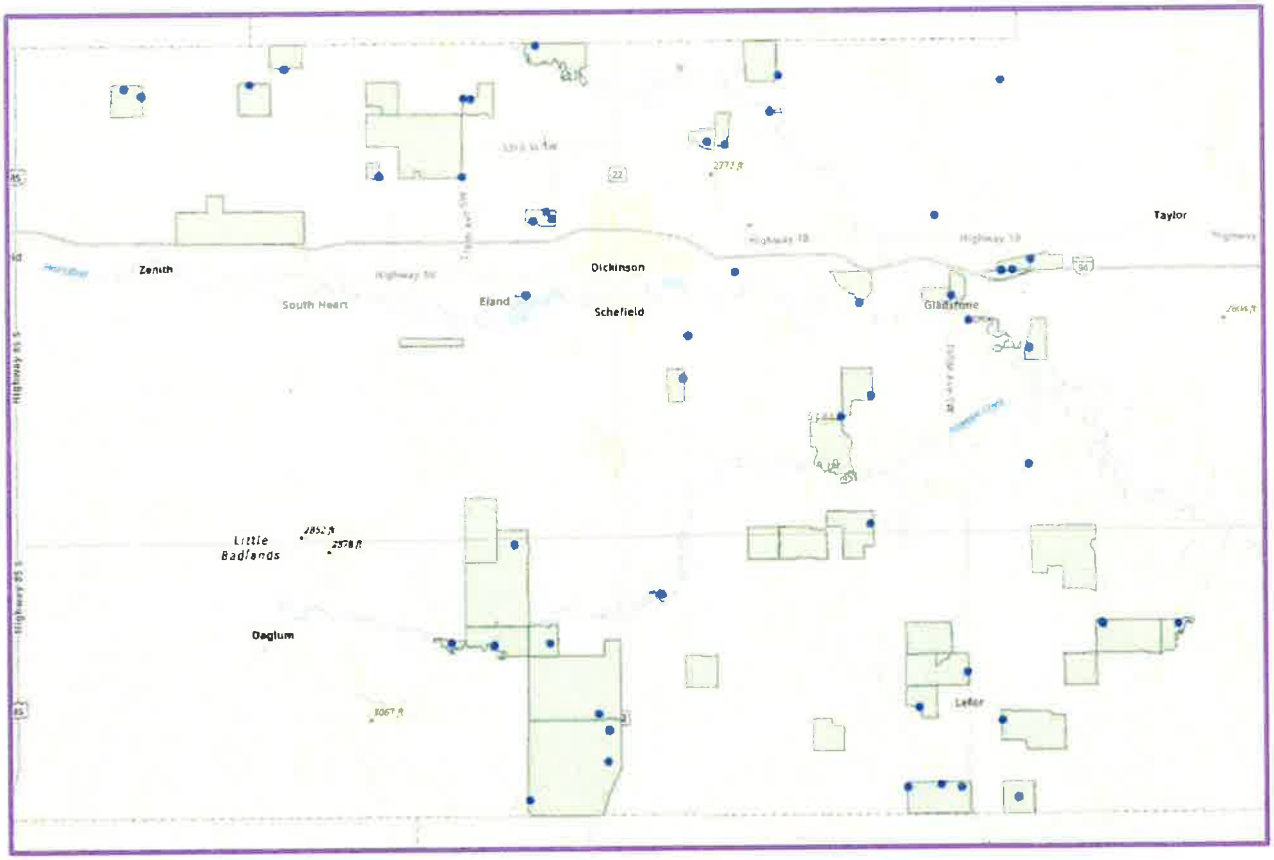


Figure 8: Distribution of Locations on Census Blocks

2. FIELD VISIT FINDINGS

A.. KPI TEST FINDINGS

Elite Systems tested 54 locations (54 units) in this SAC and found that the locations met the minimum required KPIs. The tested locations were all served with fiber.

B. 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
	1	1

Table 3: Ineligible Building Type

C. ADDRESS AND GEOLOCATION FINDINGS

Validating the street address and geolocation for all sample locations against those submitted by Consolidated Communications Networks in the HUBB was part of the location visit requirement. Elite Systems found the following exceptions: no locations had an incorrect address reported on the HUBB, no locations had geolocation reported more than 36 feet from the validated structure, and no locations had both incorrect addresses reported on the HUBB as well as geolocation reported more than 36 feet from the validated structure. See Table 2 on page 2.

APPENDIX A: ADDITIONAL ANALYSIS

Elite Systems also reviewed Consolidated Communications Networks' broadband services offering via their website and their advertising channels in the state of North Dakota. Additionally, the data analysis team collected the billing rates and data allowances for current subscribers. The audit revealed that the average billing by Consolidated Communications Networks for active subscribers was below the average rate as determined by the FCC's 2021 Urban Rate Survey - Fixed Broadband Service Analysis, which included reasonable comparability benchmark results. See Table 4.

Audit location Service Status	Audited Subscribers Status	Average of Total Monthly charges
Active	35	$ 134.43
Inactive	35	

Table 4: Average Monthly Billing

The data allowance for active subscribers was found to be comparable to offerings in urban areas, at an average of 350GB per month. See Table 5.

Serving Technology	Capacity Allowance (GB/Mo)
Fiber	Unlimited

Table 5: Monthly Data Allowance Per Technology

Attachment I

HC2024LR008

Midstate Telephone Company

Audit ID: HC2024LR008

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: May 5, 2025

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

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KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

May 5, 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 Midstate Telephone Company ("Midstate" or "Beneficiary") Study Area Code ("SAC") No. 381617 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 May 5, 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 objective. 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's ("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 $2,512,842, 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 identified five audit findings as discussed in the Audit Results and Recovery Action section. For the purpose of this report, and in accordance with FCC reporting practices, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

This report is intended solely for the use of the 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. 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

Audit Results	Monetary Effect Overpayment (Underpayment)[1]				Recommended Recovery[2]
	HCL	CAF BLS	CAF ICC[3]	Total	
HC2024LR008-F01: 47 C.F.R. § 32.2000(g)(2)(iii) – Inaccurate Depreciation Calculation – The Beneficiary utilized straight-line method rather than average monthly asset balances to calculate Depreciation Expense and Accumulated Depreciation as prescribed by FCC Rules.	$5,285	$5,806	N/A	$11,091	$11,091
HC2024LR008-F02: 47 C.F.R. § 32.2(a) and (b) – Misclassified Expenses – The Beneficiary did not report one expense transaction relating to Allowance for Doubtful Accounts in the appropriate Part 32 account.	$1,301	$1,401	N/A	$2,702	$2,702
HC2024LR008-F03: 47 C.F.R. § 54.320(b) – Lack of Supporting Documentation: Assets – The Beneficiary was unable to provide supporting documentation for the sampled asset transactions. It did not maintain the required documentation as prescribed by FCC Rules.	$911	$563	N/A	$1,474	$1,474

[1] The recovery amount noted in the table is not reflective of prior period or cap adjustments. The actual recovery amount will not exceed the proposed recovery amount.
[2] The HC Program does not pay additional support in the event of a finding resulting in an underpayment, however the HC Program will net findings resulting in underpayment with findings resulting in an overpayment.
[3] 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 2019 – 2020 CAF ICC program year was disbursed from July 2021 to June 2022 (based on data submitted in June 2021). The audit period includes an examination of disbursements paid in the calendar year 2021; therefore, the monetary effect of this Finding accounts for the last six months of the true-up payment that occurred from January to June 2022 which corresponds to the 2019–2020 program year and the first six months of the true-up payment that occurred from July to December 2021 corresponds to the 2020 – 2021 program year.

Audit Results	Monetary Effect Overpayment (Underpayment)[1]				Recommended Recovery[2]
	HCL	CAF BLS	CAF ICC[3]	Total	
<u>HC2024LR008-F04: 47 C.F.R. § 54.320(b) – Inaccurate Taxes</u> – The Beneficiary did not include Gross Receipts Tax with total operating taxes on the 2021-1 HCL Form. Thus, the total Operating Tax amount was understated.	($3,206)	N/A	N/A	($3,206)	$0
<u>HC2024LR008-F05: 47 C.F.R. § 54.903(a)(1) – Misclassified Access Lines</u> – The Beneficiary did not accurately categorize, and report End User Common Lines for High Cost program purposes.	N/A	$2,287	N/A	$2,287	$2,287
Total Net Monetary Effect	**$4,291**	**$10,057**	**N/A**	**$14,348**	**$17,554**

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results for SAC 381617 and will seek recovery from the Beneficiary 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.

	HCL (A)	BLS (B)	CAF ICC (C)	USAC Recovery Action (A) + (B) + (C)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	$5,285	$5,806	N/A	$11,091	N/A
Finding #2	$1,301	$1,401	N/A	$2,702	N/A
Finding #3	$911	$563	N/A	$1,474	N/A
Finding #4	($3,206)	N/A	N/A	$(3,206)	N/A
Finding #5	N/A	$2,287	N/A	$2,287	N/A
Mechanism Total	**$4,291**	**$10,057**	**N/A**	**$14,348**	**N/A**

BACKGROUND, OBJECTIVE, 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

Midstate Telephone Company (SAC No. 381617), located in Parshall, North Dakota, serves over 2,000 customers. Midstate provides local telephone service, internet service, video and access to long distance telephone service through its local exchange network and cable TV network. The Beneficiary is wholly owned by RTC Networks since being acquired in January 2022. Prior to the acquisition by RTC Networks, Midstate was wholly owned by Stanley Cablevision, Inc. and had common ownership of Midstate Communications Inc., a related party entity.

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	$1,498,710
CAF ICC	$259,536
HCL	$754,596
Total	$**2,512,842**

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 the National Exchange Carrier Associations ("NECA") and USAC:

- 2021-1 HCL Form based on the twelve-month period ended December 31, 2020,
- 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 $2,512,842, 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.[4]

Our performance audit as defined by the FCC for High Cost limited review performance audits includes the following areas:[5]

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

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

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

PROCEDURES

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") [6] 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 monetary unit sampling methodology to select 25 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 were 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 were 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 amounts reconciled to studies and whether amounts agreed to the HCL form data and also performed a route distance inspection.

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

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 that in 2020, the Beneficiary was a taxable C-Corporation and filed its federal income tax return as a consolidated filling group under Midstate Telephone Company which also included its then subsidiary, Stanley Cablevision, Inc. We obtained and reviewed the Beneficiary's federal and state tax filings and reviewed the tax provision and deferred income tax provision calculations, including supporting documentation, for reasonableness. 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 that included wage apportionments including management fees, mechanical and construction services 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 10 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 results include the following findings, recommendations and Beneficiary responses regarding the Beneficiary's compliance with FCC requirements. USAC Management is responsible for any decisions and actions resulting from the findings or recommendations noted.

HC2024LR008-F01: 47 C.F.R. § 32.2000(g)(2)(iii)(2020) – Inaccurate Depreciation Calculation

CONDITION

KPMG inspected the G/L and depreciation schedules to determine whether the Beneficiary reported its cost study balances accurately for High Cost program purposes. The Beneficiary utilized straight-line method rather than average monthly asset balances to calculate Depreciation Expense and Accumulated Depreciation as prescribed by FCC Rules[7] for the period of January 1, 2020 to December 31, 2020.

The differences noted in the Depreciation Expense and Accumulated Depreciation balances for the twelve-month period ended December 31, 2020, impacting the 2021-1 HCL Form and the Form 509 are as follows:

Account Description	Account Balance Reported to NECA	Balance Supported by Testing	$ Variance
Account 3100 (2230): Accumulated Depreciation – Central Office Transmission Equipment	$4,436,212	$4,419,953	$16,259
Account 3100 (2400): Accumulated Depreciation - Cable and Wire Facilities	$9,067,747	$9,062,843	$4,904
Account 6560 (2230): Depreciation and Amortization Expense – Central Office Transmission Equipment	$574,096	$557,837	$16,259
Account 6560 (2400): Depreciation and Amortization Expense – Cable and Wire Facilities	$907,951	$903,047	$4,904

CAUSE

The Beneficiary did not have adequate processes in place governing the proper calculation of depreciation using the appropriate methodology as prescribed by FCC Rules.

EFFECT

KPMG calculated the monetary impact of this finding by subtracting the values of the overstatement from the total amount reported by the Beneficiary in its respective account or line items on the High Cost forms relative to disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an over-payment of $11,091 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	$5,285
CAF BLS	$5,806
CAF ICC	N/A
Total	**$11,091**

[7] See 47 C.F.R. § 32.2000(g)(2)(iii) (2020), 47 C.F.R. § 32.3100 (2020) and 47 C.F.R. § 32.6560 (2020).

RECOMMENDATION

KPMG recommends the USAC Program recovers the amount noted in the Effect Section above.

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

BENEFICIARY RESPONSE

The Beneficiary agrees with this finding. The methodology for calculating depreciation based on average monthly balances has been updated since the timeframe being audited to ensure compliance.

HC2024LR008-F02: 47 C.F.R. § 32.2(a) and (b) (2020) – Misclassified Expenses

CONDITION

KPMG sampled and tested 25 expense items to determine whether the Beneficiary reported its cost study balances accurately for High Cost program purposes. The Beneficiary did not report one expense item relating to Allowance for Doubtful Accounts in the appropriate Part 32 account. We noted Midstate charged the write-off of a Bad Debt Expense to Account 6720 (General and Administrative Expense) rather than Account 5300 (Uncollectible Revenues) as prescribed by FCC Rules[8]. The differences noted in the two account balances for the twelve-month period ended December 31, 2020, impacting the 2021 HCL Form and the Form 509 are as follows:

Account Description	Variance for the 12 months ended December 31, 2020
Account 5300: Uncollectible Revenues	$5,265
Account 6720: General and Administrative Expense	($5,265)

CAUSE

The Beneficiary did not have adequate processes in place governing the proper recording and reporting of Bad Debt Expense for purposes of USF disbursements as prescribed by FCC Rules.

EFFECT

KPMG calculated the monetary impact of this finding by subtracting the value of the overstatement from the total amount reported by the Beneficiary in its respective account or line items on the High Cost forms relative to disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an over-payment of $2,702 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	$1,301
CAF BLS	$1,401
CAF ICC	N/A
Total	**$2,702**

[8] See 47 C.F.R. § 32.2(a) and (b) (2020) and 47 C.F.R. § 32.1171(a)(b) (2020).

RECOMMENDATION

KPMG recommends the USAC Program recovers the amount noted in the Effect Section above.

KPMG recommends the Beneficiary should enhance the process of preparation, review, and approval of expense transactions to ensure expense balances are reported to the correct Part 32 accounts. 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

The Beneficiary agrees with this finding. This occurred prior to being acquired by RTC Networks. RTC has good internal controls in place to make sure that moving forward, expenses will be coded to the proper account.

HC2024LR008-F03: 47 C.F.R. § 54.320(b) (2020) – Lack of Supporting Documentation: Assets

CONDITION

KPMG selected and tested a statistical sample of 29 asset items and virtually inspected 8 judgmental samples of COE assets, for a total of 37 sample asset transactions, to test the existence to determine whether the Beneficiary reported its asset account balances accurately for High Cost program purposes. The Beneficiary was unable to provide sufficient and appropriate supporting documentation for 3 out of the total 37 sampled asset transactions as required by FCC Rules[9].

KPMG attempted to complete alternative procedures by obtaining supporting documentation for similar assets sample and for a similar timeframe. However, the Beneficiary was only able to provide a work order summary for one COE asset sampled. The Beneficiary was unable to provide the requested invoice documentation for similar COE and C&WF assets within a similar timeframe in order to complete the alternative procedure.

KPMG summarized the value of the unsupported asset transactions to the respective asset accounts. Additionally, as the asset accounts are affected, the relevant Accumulated Depreciation and Depreciation Expense for the twelve-month period ended December 31, 2020 below:

Account Description	Unsupported Balance
Account 2230: Central Office Transmission Equipment	$1,719
Account 2400: Cable & Wire Facilities	$17,267
Account 3100 (2230): Accumulated Depreciation - Central Office Transmission Equipment	$172
Account 3100 (2410): Accumulated Depreciation - Cable and Wire Facilities	$4,683
Account 6560 (2230): Depreciation and Amortization Expense – Central Office Transmission Equipment	$172
Account 6560 (2410): Depreciation and Amortization Expense – Cable and Wire Facilities	$877

[9] See 47 C.F.R. § 54.320(b)(2020).

CAUSE

The Beneficiary did not have adequate processes in place governing the proper retention of all records required to demonstrate to auditors that the support received was consistent with the High Cost program as prescribed by FCC rules.

EFFECT

KPMG calculated the monetary impact of this finding by subtracting the values of the overstatements from the total amount reported by the Beneficiary in its respective account or line items on the High Cost forms relative to disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an over-payment of $1,474 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	$911
CAF BLS	$563
CAF ICC	*N/A*
Total	**$1,474**

RECOMMENDATION

KPMG recommends the USAC Program recovers the amount noted in the Effect Section above.

KPMG recommends the Beneficiary should enhance and implement policies and procedures relevant to documentation and data retention governing asset records to ensure compliance with FCC Rules and Orders. In addition, the Beneficiary may learn more about the reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

BENEFICIARY RESPONSE

The Beneficiary agrees with this finding. This occurred prior to being acquired by RTC Networks. RTC Networks has good internal controls and record retention policies in place to ensure compliance.

HC2024LR008-F04: 47 C.F.R. § 54.320(b) (2020) – Inaccurate Taxes

CONDITION

KPMG reconciled the Beneficiary's 2020 Part 64 cost allocation outputs with the 2021-1 HCL Form inputs to determine whether the Beneficiary reported accurate account balances for High Cost program purposes. The Beneficiary did not include gross receipts tax in the total amount of operating taxes for USF purposes as required by FCC Rules[10], therefore, total operating taxes on the 2021-1 HCL Form was understated.

KPMG summarized the value of the understated tax amount for the twelve-month period ended December 31, 2020 below:

Account Description	Understated Amount
Account 7200: Operating Taxes	$12,974

[10] See 47 C.F.R. § 32.7200, § 32.7240(a)(2020).

CAUSE

The Beneficiary did not have adequate processes in place governing the preparation, review, and reporting of Operating Taxes as prescribed by FCC Rules.

EFFECT

KPMG calculated the monetary impact of this finding by adding the value of the understatement to the total amount reported by the Beneficiary in its respective account or line items on the High Cost forms relative to disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an under-payment of $3,206 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	($3,206)
CAF BLS	N/A
CAF ICC	N/A
Total	**($3,206)**

RECOMMENDATION

KPMG recommends the Beneficiary should enhance and implement policies and procedures related to preparation, review, and reporting of Operating Taxes as prescribed by FCC Rules and Orders. In addition, the Beneficiary may learn more about the reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

BENEFICIARY RESPONSE

The Beneficiary agrees with this finding. There was a revision to the Cost Study and High Cost Loop Filing after the initial data was submitted. During that process, the Gross receipts tax was accidentally omitted from the total operating taxes. RTC Networks and their consultant (JSI) have internal controls in place to ensure compliance moving forward.

HC2024LR008-F05: 47 C.F.R. § 54.903(a)(1) (2020) – Misclassified Access Lines

CONDITION

KPMG selected and tested a sample of 30 End User Common Lines to determine whether the Beneficiary reported its revenues accurately for High Cost program purposes. KPMG obtained monthly customer invoices for each of the selected samples. The Beneficiary did not accurately categorize and report End User Common Lines for High Cost program purposes. We noted 1 out of the 30 samples, with 3 registered lines under the same account, were incorrectly categorized as Single-Line Business ("SLB") account rather than Multi-Line Business ("MLB") account. Therefore, the Beneficiary understated total revenues by collecting reduced SLC charges of $6.50 rather than $9.20 per line per month as prescribed by FCC Rules[11].

To evaluate the accuracy of Beneficiary's billing register further, KPMG selected an additional 6 samples relating to SLB accounts and noted 2 out of the 6 samples were incorrectly categorized as SLB rather than MLB accounts, with one of the miscategorized accounts having two registered lines.

[11] See 47 C.F.R. §§ 54.903(a)(1) (2020), 69.152(d) and (k)(1)(2020).

KPMG obtained guidance from USAC Audit and Assurance Division ("AAD") on this matter and selected an additional 65 samples to evaluate the Beneficiary's billing register with a larger selection to determine whether any additional incorrect categorization of End User Common Lines was present. The Beneficiary did not provide any supporting documentation for the 65 additional samples stating it was not cost-effective for the Beneficiary to provide the requested documentation, and therefore the Beneficiary agreed to additional errors in its billing register indicating all the 65 selected samples were inaccurately categorized as SLB rather than MLB accounts. As such, the initial exception with 3 lines, the additional 2 exceptions (one with 1 line and the other with 2 lines), and the 65 additional samples with individual lines total 71 lines.

The differences noted in the SLC revenue amount for the twelve-month period ended December 31, 2020, impacting the Form 509 are as follows:

Required SLC Revenue – SLC Revenue Collected (A)	Number of Months (B)	Number of Lines (C)	Uncollected SLC Revenue (A*B*C)
$2.70	12	70	$2,268
$2.70	7	1	$19
Total	**19**	**71**	**$2,287**

CAUSE

The Beneficiary did not have adequate processes in place governing the categorization, review, and reporting of End User Common Lines as prescribed by FCC Rules.

EFFECT

KPMG calculated the monetary impact of this finding by adding the value of the understatement to the total amount reported by the Beneficiary in its respective account or line items on the High Cost forms relative to disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an over-payment of $2,287 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	N/A
CAF BLS	$2,287
CAF ICC	N/A
Total	**$2,287**

RECOMMENDATION

KPMG recommends the USAC Program recovers the amount noted in the Effect Section above.

KPMG recommends the Beneficiary enhance the process of categorization and reporting of End User Common Lines to ensure its revenue amounts are appropriately reported for USF purposes to ensure compliance with FCC Rules and Orders. KPMG also recommends the Beneficiary enhance the documentation processes and data retention governing the end user lines to ensure compliance with FCC Rules and Orders. In addition, the Beneficiary may learn more about the reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

BENEFICIARY RESPONSE

The Beneficiary agrees with this finding. This occurred prior to being acquired by RTC Networks. RTC Networks has good internal controls and reviews their customer data and line classifications when setting up the bills to ensure compliance.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 32.2000(g)(2)(iii) (2020)	"Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month."
#1	47 C.F.R. § 32.3100 (2020)	"Accumulated depreciation. (a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service. (b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense—telecommunications plant in service. (Note also Account 3300, Accumulated depreciation—nonoperating.) (c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered. (d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses."
#1	47 C.F.R. § 32.6560 (2020)	"Depreciation and amortization expenses. Companies shall use this account for expenses of the type and character detailed in Accounts 6561 through 6565."
#2	47 C.F.R. § 32.2(a) and (b) (2020)	"(a) The financial accounts of a company are used to record, in monetary terms, the basic transactions which occur. Certain natural groupings of these transactions are called (in different contexts) transaction cycles, business processes, functions or activities. The concept, however, is the same in each case; i.e., the natural groupings represent what happens within the company on a consistent and continuing basis. This repetitive nature of the natural groupings, over long periods of time, lends an element of stability to the financial account structure. (b) Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions performed by the assets. In addition, because of the anticipated effects of future innovations, the telecommunications plant accounts are intended to permit technological distinctions. Similarly, the primary bases of plant operations, customer operations and corporate

Finding	Criteria	Description
		operations expense accounts are the functions performed by individuals. The revenue accounts, on the other hand, reflect a market perspective of natural groupings based primarily upon the products and services purchased by customers."
#2	47 C.F.R. § 32.1171(a) and (b) (2020)	"Allowance for doubtful accounts. (a) This account shall be credited with amounts charged to Accounts 5300, Uncollectible revenue, and 6790, Provision for uncollectible notes receivable to provide for uncollectible amounts related to accounts receivable and notes receivable included in Account 1170, Receivables. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1170. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection. (b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5300, Uncollectible revenue or directly to Account 6790, Provision for uncollectible notes receivable, as appropriate."
#3, 4	47 C.F.R. § 54.320(b) (2020)	"(b) 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."
#4	47 C.F.R. § 32.7200 (2020)	"Operating Taxes. Companies shall use this account for operating taxes of the type and character detailed in Accounts 7210 through 7250."
#4	47 C.F.R. § 32.7240(a) (2020)	"Operating other taxes. (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."
#5	47 C.F.R. § 54.903(a)(1) (2020)	"(a) To be eligible for CAF BLS, each rate-of-return carrier shall make the following filings with the Administrator. (1) Each rate-of-return carrier shall submit to the Administrator on March 31 of each year the number of lines it served as of the prior December 31, within each rate-of-return carrier study area showing residential and single-line business line counts, multi-line business line counts, and consumer broadband-only line counts separately. For purposes of this report, and for purposes of computing support under this subpart, the residential and single-line business class lines reported include lines assessed the residential and single-line business End User Common Line charge pursuant to § 69.104 of this chapter, the multi-line business class lines reported include lines assessed the multi-line business End User Common Line charge pursuant to § 69.104 of this chapter, and consumer broadband-only lines reported include lines assessed the Consumer Broadband-only Loop rate charged pursuant to § 69.132 of this chapter or provided on a detariffed basis.

Finding	Criteria	Description
		For purposes of this report, and for purposes of computing support under this subpart, lines served using resale of the rate-of-return local exchange carrier's service pursuant to section 251(c)(4) of the Communications Act of 1934, as amended, shall be considered lines served by the rate-of-return carrier only and must be reported accordingly."
#5	47 C.F.R. § 69.152(d) and (k)(1) (2020)	"(d) (1) Beginning July 1, 2000, in a study area that does not have deaveraged End User Common Line Charges, the maximum monthly charge for each primary residential or single-line business local exchange service subscriber line shall be the lesser of: (i) The Average Price Cap CMT Revenue per Line month as defined in § 61.3(d) of this chapter; or (ii) The following: (A) On July 1, 2000, $4.35. (B) On July 1, 2001, $5.00. (C) On July 1, 2002, $6.00. (D) On July 1, 2003, $6.50. (2) In the event that GDP-PI exceeds 6.5% or is less than 0%, the maximum monthly charge in paragraph (d)(1)(ii) of this section and the cap will be adjusted pursuant to § 61.45(b)(1)(iii) of this chapter. (k) (1) Beginning on July 1, 2000, for any study area that does not have deaveraged End User Common Line charges and in the absence of voluntary reductions, the maximum monthly End User Common Line Charge for multi-line business lines will be the lesser of: (i) $9.20; or (ii) The greater of: (A) The rate as of June 30, 2000, less reductions needed to ensure over recovery of CMT Revenues does not occur; or (B) The Average Price Cap CMT Revenue per Line month as defined in § 61.3(d) of this chapter. Note to paragraph (k)(1): Except when the local exchange carrier reduces the rate through voluntary reductions, the multi-line business End User Common Line charge will be frozen until the study area's multi-line business PICC and CCL charge are eliminated."

CONCLUSION

KPMG’s evaluation of 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. § 32, 36, 51, 54, 64 and 69 relative to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2022, identified five findings: Inaccurate Depreciation Calculation, Misclassified Expenses, Lack of Asset Supporting Documentation, Inaccurate Operating Taxes, and Inaccurate Categorization of End User Common Lines. KPMG recommends that the Beneficiary enhance the preparation, review, and approval processes governing the calculation of depreciation and reporting of expense transactions; enhance policies and procedures pertaining to documentation and data retention of asset records and line categorization, enhance controls related to preparation, review, and reporting of Operating Taxes and the categorization of End User Common Lines for USF purposes to ensure compliance with FCC Rules and Orders.

** This concludes the audit report.**

Attachment J

HC2024LR012

Brazoria Telephone Company

Audit ID: HC2024LR012

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: May 5, 2025

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

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Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

May 5, 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 Brazoria Telephone Company ("BTel" or "Beneficiary") Study Area Code ("SAC") No. 442040 for disbursements made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2022 and our results are as of May 5, 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's ("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 $8,626,974, 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 identified one audit finding as discussed in the Audit Results and Recovery Action section. For the purpose of this report, and in accordance with FCC reporting practices, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

In addition, we also noted two Other Matters that are not significant within the context of the audit objective and do not necessarily constitute a rule violation but warrant the Beneficiary and USAC Management's attention. We reported these other matters to the Beneficiary's management in a separate letter dated May 5, 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. 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

Audit Results	Monetary Effect Overpayment (Underpayment)[1]				Recommended Recovery
	HCL	CAF BLS	CAF ICC[2]	Total	
HC2024LR012-F01: – 47 C.F.R. § 32.2000(g)(2)(iii) - Inaccurate Depreciation Calculation For two asset accounts, the Beneficiary did not accurately compute the accumulated depreciation and depreciation expense for the period.	$21,467	$71,964	N/A	$93,431	$93,431
Total Net Monetary Effect	**$21,467**	**$71,964**	**N/A**	**$93,431**	**$93,431**

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

[2] 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 2019 – 2020 CAF ICC program year was disbursed from July 2021 to June 2022 (based on data submitted in June 2021) 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 2021; therefore, the monetary effect of this Finding accounts for the last six months of the true-up payment that occurred from January to June 2022 which corresponds to the 2019–2020 program year and the first six months of the true-up payment that occurred from July to December 2021 corresponds to the 2020 – 2021 program year.

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery from the Beneficiary for SAC 442040, 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.

	HCL (A)	BLS (B)	CAF ICC (C)	USAC Recovery Action (A) + (B) + (C)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	$21,467	$71,964	N/A	$93,431	N/A
Mechanism Total	**$21,467**	**$71,964**	**N/A**	**$93,431**	**N/A**

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

Brazoria Telephone Company (BTel) (SAC No. 442040), located in Texas, serves over 7,000 customers. BTel provides residents and businesses broadband, cable, and voice services in the greater Brazoria area. Brazoria Telephone, an Incumbent Local Exchange Carrier ("ILEC"), is wholly owned by Hendrix Family Trust and BTel wholly owns Brazoria Telephone Company Enterprises, Coastal Link Communications, LLC and Brazoria I-Net.

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	$7,121,172
CAF ICC	$418,674
HCL	$1,087,128
Total	$8,626,974

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, based on the twelve-month period ended December 31, 2020
- 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 $8,626,974, 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 the SAC noted in the Beneficiary overview section above.[3]

Our performance audit as defined by the FCC for High Cost limited review performance audits includes the following areas:[4]

1. Materiality Analysis
2. Reconciliation
3. Assets
4. Expenses
5. High Cost Program filings
6. Central Office Equipment ("COE") Categorization
7. Cable & Wire Facilities ("C&WF") Categorization
8. Overheads
9. Taxes
10. Part 64 Cost Allocations
11. Affiliate Transactions
12. Revenues, Subscriber Listings and Billing Records

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

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

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 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") [5] 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 monetary unit sampling 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 were 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 and did not over depreciate assets.

5. **High Cost Program filings**

   For the relevant High Cost Program forms (HCL, CAF BLS, and CAF ICC) completeness of reported accounts were 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.

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

7. **C&WF Categorization**

   KPMG reviewed the methodology established by the Beneficiary for C&WF categorization including the process for updating the network map and C&WF cost studies. We assessed whether C&WF amounts reconciled to 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 tax filing status for the Beneficiary was a C Corporation and obtained 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 such as intercompany leases and payroll transactions 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 6 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 results includes the following finding, recommendation and Beneficiary response regarding the Beneficiary's compliance with FCC requirements. USAC Management is responsible for any decisions and actions resulting from the finding or recommendation noted.

HC2024LF012-**F01:** *47 C.F.R. § 32.2000(g)(2)(iii) – Inaccurate Depreciation Calculation*

CONDITION

The Beneficiary utilized monthly average balance to calculate depreciation expense but had two accounts where the accumulated depreciation balances were higher than the corresponding asset account balances and continued to depreciate the two asset accounts for the audit period.

The differences noted in the Accumulated Depreciation and Depreciation Expense balances for the twelve-month period ended December 31, 2022, impacting the 2021-1 HCL Form and the Form 509 are as follows:

Account Description	Account Balance Reported to NECA	Balance Supported by Testing	$ Variance
Account 3100 (2230): Accumulated Depreciation – Central Office Transmission	$9,040,817	$8,907,902	$(132,915)
Account 3100 (2410): Accumulated Depreciation – Cable & Wire Facilities	$31,329,110	$31,313,469	$(15,641)
Account 6560 (2230): Depreciation and Amortization Expense – Central Office Transmission	$462,918	$330,003	$(132,915)
Account 6560 (2410): Depreciation and Amortization Expense – Cable & Wire Facilities	$1,023,616	$1,007,975	$(15,641)

CAUSE

Per the Beneficiary, the two over depreciated accounts were calculated in error and were not adjusted prior to calculating depreciation expense for the year.

EFFECT

KPMG calculated the monetary impact of this finding by subtracting the value of the overstatement from the total amount reported by the Beneficiary in its respective account or line items on the High Cost forms relative to disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an over-payment of $93,431 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	$21,467
CAF BLS	$71,964
CAF ICC	N/A
Total	$93,431

RECOMMENDATION

KPMG recommends the USAC Program recovers the amount noted in the Effect Section above.

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

BENEFICIARY RESPONSE

As discussed with KPMG during their review, our financial system has separate modules for the general ledger and for asset management. During the test year, these two modules were not in agreement with each other which ultimately resulted in the depreciation differences noted in the audit report. The company discovered the differences and took corrective actions including in-house training on the use of accounting system modules and ensuring that depreciation records were reviewed by the Accounting Manager for accuracy. As a result, each month and before the fiscal year end close, all asset accounts are reviewed to insure there is no “over” depreciating of any of the asset accounts.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 32.2000(g)(2)(iii) (2020)	"Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month."
#1	47 C.F.R. § 32.3100 (2020)	"(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service. (b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense—telecommunications plant in service. (Note also Account 3300, Accumulated depreciation—nonoperating.) (c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered. (d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses."
#1	47 C.F.R. § 32.6560 (2020)	"Depreciation and amortization expenses. Companies shall use this account for expenses of the type and character detailed in Accounts 6561 through 6565."

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 one finding: Inaccurate Depreciation Calculation. KPMG recommends that the Beneficiary enhance the preparation, review and approval processes governing the calculation of depreciation to ensure compliance with the FCC Rules and Orders.

** This concludes the audit report.**

Attachment K

HC2024LR015

KPMG

Northeast Missouri Rural Telephone Company

Audit ID: HC2024LR015

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: May 28, 2025

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

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KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

May 28, 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 Northeast Missouri Rural Telephone Company ("NEMR" or "Beneficiary") Study Area Code ("SAC") No. 421931 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 27, 2024 to May 28, 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 objective. 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's ("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 $7,677,138, 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 identified two audit findings as discussed in the Audit Results and Recovery Action section. For the purpose of this report, and in accordance with FCC reporting practices, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

This report is intended solely for the use of the 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. 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

Audit Results	Monetary Effect Overpayment (Underpayment)[1]				Recommended Recovery[2]
	HCL	CAF BLS	CAF ICC[3]	Total	
HC2024LR015-F01: 47 C.F.R. § 32.2000(g)(2)(iii)(2020) – Inaccurate Depreciation Calculation – The Beneficiary did not include month-end asset additions in the calculation of Depreciation Expense and Accumulated Depreciation as prescribed by FCC Rules.	($6,249)	($8,345)	N/A	($14,594)	$0
HC2024LR015-F02: 47 C.F.R. § 32.2(a) and (b) (2020) – Misclassified Expenses – The Beneficiary did not report payroll costs for 8 expense samples in the appropriate Part 32 accounts.	$33,910	$64,724	N/A	$98,634	$98,634
Total Net Monetary Effect	**$27,661**	**$56,379**	**N/A**	**$84,040**	**$98,634**

[1] The recovery amount noted in the table is not reflective of prior period or cap adjustments. The actual recovery amount will not exceed the proposed recovery amount.
[2] The HC Program does not pay additional support in the event of a finding resulting in an underpayment, however the HC Program will net findings resulting in underpayment with findings resulting in an overpayment.
[3] 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 2019 – 2020 CAF ICC program year was disbursed from July 2021 to June 2022 (based on data submitted in June 2021). The audit period includes an examination of disbursements paid in the calendar year 2021; therefore, the monetary effect of this Finding accounts for the last six months of the true-up payment that occurred from January to June 2022 which corresponds to the 2019–2020 program year and the first six months of the true-up payment that occurred from July to December 2021 corresponds to the 2020 – 2021 program year.

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery from the Beneficiary for SAC 421931, 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.

	HCL (A)	BLS (B)	CAF ICC (C)	USAC Recovery Action (A) + (B) + (C)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	($6,249)	($8,345)	N/A	$0	N/A
Finding #2	$33,910	$64,724	N/A	$98,634	N/A
Mechanism Total	**$27,661**	**$56,379**	**N/A**	**$84,040**	**N/A**

BACKGROUND, OBJECTIVE, 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

Northeast Missouri Rural Telephone Company (SAC No. 421931), located in Green City, Missouri, serves over 6,000 customers. NEMR provides telephone, internet, and TV services. The Beneficiary is a standalone entity, and it does not have any subsidiaries. As a cooperative telephone company, NEMR provides its services to members on a cooperative basis located in the various exchanges in Northeast Missouri.

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 Disbursements	Disbursement Amount
CAF BLS	$4,871,754
CAF ICC	$691,632
HCL	$2,113,752
Total	**$7,677,138**

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 the National Exchange Carrier Associations ("NECA") and USAC:

- 2021-1 HCL Form, based on the twelve-month periods ended December 31, 2020
- 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 $7,677,138, 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.[4]

Our performance audit as defined by the FCC for High Cost limited review performance audits includes the following areas:[5]

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

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

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

PROCEDURES

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") [6] methodology to select 31 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 monetary unit sampling methodology to select 34 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 were 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 were 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 amounts reconciled to studies and whether amounts agreed to the HCL form data and also performed a route distance inspection.

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

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 a taxable cooperative entity; however, it allocates its total income to the cooperative's members. As a cooperative entity, NEMR's income tax expense and other relevant income tax amounts are not reported for the USF support purposes. KPMG performed an evaluation of the applicable High Cost forms and determined that only property taxes were included in the regulatory forms for High Cost Program support.

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 determined NEMR is a standalone entity, and the Beneficiary does not have any subsidiaries or affiliated entities. Per review of Beneficiary's internal records, KPMG noted NEMR does not have any common ownership at other entities and therefore the Beneficiary does not have any affiliate or related party transactions. Additionally, KPMG noted NEMR's personnel separately report their time worked on non-regulated projects. Thus, KPMG did not note any regulated management fees or other related transactions to consider for testing.

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

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

13. **Revenue Requirement**

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

RESULTS

KPMG's performance audit results include the following findings, recommendations and Beneficiary responses regarding the Beneficiary's compliance with FCC requirements. USAC Management is responsible for any decisions and actions resulting from the findings or recommendations noted.

HC2024LR015-F01: 47 C.F.R. § 32.2000(g)(2)(iii) (2020) – Inaccurate Depreciation Calculation

CONDITION

KPMG inspected the G/L and depreciation schedules to determine whether the Beneficiary reported its cost study balances accurately for High Cost program purposes. The Beneficiary did not include month-end asset additions in the calculation of Depreciation Expense and Accumulated Depreciation as prescribed by FCC Rules[7] for the period of January 1, 2020 to December 31, 2020.

The differences noted in the Depreciation Expense and Accumulated Depreciation balances for the twelve-month period ended December 31, 2020, impacting the 2021-1 HCL Form and the Form 509 are as follows:

Account Description	Account Balance Reported to NECA	Balance Supported by Testing	Variance for the 12 months ended December 31, 2020
Account 3100 (2210): Accumulated Depreciation – Central Office Switching Equipment	$432,970	$432,884	($86)
Account 3100 (2230): Accumulated Depreciation – Central Office Transmission Equipment	$10,662,334	$10,671,636	$9,302
Account 3100 (2410): Accumulated Depreciation - Cable and Wire Facilities	$26,988,425	$27,000,847	$12,422
Account 6560 (2210): Depreciation and Amortization Expense – Central Office Switching Equipment	$27,820	$27,734	($86)
Account 6560 (2230): Depreciation and Amortization Expense – Central Office Transmission Equipment	$543,907	$553,209	$9,302
Account 6560 (2410): Depreciation and Amortization Expense – Cable and Wire Facilities	$2,741,163	$2,753,585	$12,422

CAUSE

The Beneficiary did not have adequate processes in place governing the proper calculation of depreciation using the appropriate methodology as prescribed by FCC Rules.

EFFECT

KPMG calculated the monetary impact of this finding by adding or subtracting the variance(s) noted in the condition above to or from the respective accounts or line items on the High Cost forms reported by the Beneficiary. The resulting change in disbursements was then compared to the original disbursements

[7] See 47 C.F.R. § 32.2000(g)(2)(iii) (2020) in the criteria section of the report.

made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an under-payment in the amount of $14,594 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	($6,249)
CAF BLS	($8,345)
CAF ICC	N/A
Total	**($14,594)**

RECOMMENDATION

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

BENEFICIARY RESPONSE

The finding resulted from a previous process of closing year-end assets to plant accounts. We had recognized the deficiency in our process prior to the USAC audit, however after the period being audited, and had already updated our internal year-end work order closing process to ensure depreciation on year-end work orders is calculated per FCC rules.

HC2024LR015-F02: 47 C.F.R. § 32.2(a) and (b) (2020) – Misclassified Expenses

CONDITION

KPMG tested 34 expense samples to determine whether the Beneficiary reported its cost study balances accurately for High Cost program purposes. The Beneficiary did not report payroll costs for eight expense samples in the appropriate Part 32 accounts thus overstating labor and benefit costs for some accounts and understating for other accounts on the relevant High Cost forms. We noted certain employees did not record a portion of their working time in the appropriate Part 32 accounts based on their roles and responsibilities, and the Beneficiary did not reallocate the costs to the correct Part 32 accounts on the High Cost forms as prescribed by FCC Rules[8].

The differences noted in the labor and benefits portion of the six High Cost Form expense accounts for the twelve-month period ended December 31, 2020, impacting the 2021-1 HCL Form and the Form 509 are as follows:

Account Description	Account Balance Reported to NECA Net	Net Balance Supported by Testing	Variance for the 12 months ended December 31, 2020
Account 6120: General Support Expenses	$86,424	$107,815	$21,391
Account 6120: Benefits Portion of General Support Expenses	$1,329	$9,131	$7,802
Account 6230: COE Transmission Expense	$1,150,445	$1,050,256	($100,189)
Account 6230: Benefits Portion of COE Transmission Expense	$310,587	$274,177	$(36,410)

[8] See 47 C.F.R. § 32.2(a),(b) (2020) in the criteria section of the report.

Account 6410: C&WF Expenses	$1,364,339	$1,363,739	($600)
Account 6410: Benefits Portion of C&WF Expenses	$446,400	$446,400	$0
Account 6530: Network Operations Expense	$332,082	$187,399	($144,683)
Account 6530: Benefits Portion of Network Operations Expense	$263,902	$205,606	$(58,296)
Account 6620: Telephone Operator Services	$0	$190,355	$190,355
Account 6620: Benefits Portion of Telephone Operator Services	$0	$74,955	$74,955
Account 6720: General and Administrative Expense	$500,259	$528,887	$28,628
Account 6720: Benefits Portion of General and Administrative Expense	$69,600	$79,690	$10,090
Benefit Portion of All Operating Expenses- Total	1,249,445	1,247,585	($1,860)

Additionally, there was $6,957 included in the High Cost filings that were non-regulated expenses that should be included in Account 7900: Non-Regulated Expenses due to the exceptions noted above.

CAUSE

The Beneficiary did not have adequate processes in place governing the proper recording and reporting of payroll costs for purposes of USF disbursements as prescribed by FCC Rules.

EFFECT

KPMG calculated the monetary impact of this finding by adding or subtracting the variance(s) noted in the condition above to or from the respective accounts or line items on the High Cost forms reported by the Beneficiary. The resulting change in disbursements was then compared to the original disbursements made from the High Cost Program for the twelve-month period ended December 31, 2022. This resulted in an over payment of $98,634 as summarized below:

Support Type	Monetary Effect & Recommended Recovery
HCL	$33,910
CAF BLS	$64,724
CAF ICC	N/A
Total	**$98,634**

Note: Due to the impact of Paycheck Protection Program ("PPP") loan and corresponding loan forgiveness, which was only applicable to the labor portion of the payroll costs, the adjusted benefits portion of the total labor costs are now higher than the adjusted labor portion on the 2021-1 HCL form.

RECOMMENDATION

KPMG recommends the USAC Program recovers the amount noted in the Effect Section above.

KPMG recommends the Beneficiary should enhance controls to ensure employee time is reviewed and reported to the correct Part 32 accounts. 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

The finding results from time reporting for specific employees. In some cases, the employees are no longer employed with the company. Time reporting has been reviewed and discussed with new and existing employees to ensure time and cost are accurately booked to the correct Part 32 accounts. We have also implemented a time study for our customer service representatives, to ensure customer service time is properly recorded in the correct Part 32 accounts. Lastly, we have updated our internal time reporting process for employees who attend monthly board meetings, to ensure all board meeting time is recorded in the corporate expense category.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 32.2000(g)(2)(iii) (2020)	"Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month."
#2	47 C.F.R. § 32.2(a),(b) (2020)	"(a) The financial accounts of a company are used to record, in monetary terms, the basic transactions which occur. Certain natural groupings of these transactions are called (in different contexts) transaction cycles, business processes, functions or activities. The concept, however, is the same in each case; i.e., the natural groupings represent what happens within the company on a consistent and continuing basis. This repetitive nature of the natural groupings, over long periods of time, lends an element of stability to the financial account structure. (b) Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions performed by the assets. In addition, because of the anticipated effects of future innovations, the telecommunications plant accounts are intended to permit technological distinctions. Similarly, the primary bases of plant operations, customer operations and corporate operations expense accounts are the functions performed by individuals. The revenue accounts, on the other hand, reflect a market perspective of natural groupings based primarily upon the products and services purchased by customers."
#2	47 C.F.R. § 32.6124 (2020)	"This account shall include the costs of personnel whose principal job is the physical operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning and maintaining application systems and databases for general purpose computers. (See also § 32.6720, General and administrative.) Separately metered electricity for general purpose computers shall also be included in this account."

Finding	Criteria	Description
#2	47 C.F.R. § 32.6232 (2020)	"(a) 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."
#2	47 C.F.R. § 32.6423(a) (2020)	"(a) This account shall include expenses associated with buried cable."
#2	47 C.F.R. § 32.6533 (2020)	"This account shall include costs incurred in testing telecommunications facilities from a testing facility (test desk or other testing system) to determine the condition of plant on either a routine basis or prior to assignment of the facilities; receiving, recording and analyzing trouble reports; testing to determine the nature and location of reported trouble condition; and dispatching repair persons or otherwise initiating corrective action. (Note also § 32.5999(b)(3) of this subpart.)"
#2	47 C.F.R. § 32.6623 (2020)	"(a) This account shall include costs incurred in establishing and servicing customer accounts. This includes: (1) Initiating customer service orders and records; (2) Maintaining and billing customer accounts; (3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills; (4) Collecting and reporting pay station receipts; and (5) Instructing customers in the use of products and services. (b) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by part 43 of this Commission's rules and regulations."
#2	47 C.F.R. § 32.6720(a),(b),(c) (2020)	"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. (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.

Finding	Criteria	Description
		(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), non-customer 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."

CONCLUSION

KPMG's evaluation of 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. § 32, 36, 51, 54, 64 and 69 relative to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2022, identified two findings: Inaccurate Depreciation Calculation and Misclassified Expenses. KPMG recommends that the Beneficiary enhance the preparation, review, and approval processes governing the calculation of depreciation and enhance controls to ensure employee time is reviewed and reported to the correct Part 32 accounts to ensure compliance with FCC Rules and Orders.

** This concludes the audit report.**

Attachment L

HC2024LR027

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

LIMITED SCOPE PERFORMANCE AUDIT

SOMERSET TELEPHONE COMPANY

LIMITED SCOPE PERFORMANCE AUDIT ON COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND HIGH COST SUPPORT MECHANISM RULES

USAC AUDIT NO. HC2024LR027

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Executive Summary

April 2, 2025

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 scope performance audit on the compliance of Somerset Telephone Company, Inc, study area code (SAC) 330951 for disbursements made from the federal Universal High Cost (HC) Program during the year ended December 31, 2023. We conducted the audit field work from April 3, 2024, to April 2, 2025.

We conducted the limited scope 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 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 our findings and conclusions based on the audit objectives.

The objectives of this limited scope performance audit were to evaluate the Beneficiary's compliance with the regulations and orders governing the federal Universal Service HC 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. Sikich's 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 did not disclose any areas of non-compliance with FCC Rules that were in effect during the audit period. However, our audit disclosed one other

[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.

matter discussed in the Audit Results and Recovery Action section. For the purpose of the report, an "other matter" is a condition that does not necessarily constitute a rule violation but warrants the attention of the Beneficiary's and USAC's management.

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 third party upon request.

Audit Results and Recovery Action

Our performance audit procedures did not identify any exceptions; however we identified an other matter that warrants the attention of the Beneficiary and USAC management. We have summarized this other matter below.

Audit Results	Monetary Effect		Recommended Recovery[2]
	CAF BLS	Total	
Other Matter No. 1, 47 C.F.R. § 32.12(a-c)(2021) – Failure to Maintain Subsidiary Support: Intrastate Revenue. The Beneficiary did not maintain subsidiary records to facilitate the reconciliation of billed access revenue reported to revenue received and accounted for in the general ledger on a cash basis for HC Program purposes.	$0	$0	$0
Total Net Monetary Effect	**$0**	**$0**	**$0**

USAC Management Response

USAC management concurs with the audit results for SAC 330951, 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.

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

Finding	CAF BLS (A)	HCL (B)	CAF ICC (C)	USAC Recovery Action (A)+(B)+(C)	Rationale for Difference (if any) from Auditor Recommended Recovery
Other Matter No. 1	$0	$0	$0	$0	N/A
Total	**$0**	**$0**	**$0**	**$0**	N/A

As there is no monetary effect for this Other Matter, the total recommended recovery is zero.

Background and Program Overview

Background
The Beneficiary is an average schedule eligible telecommunications carrier (ETC) that provides phone, high speed internet, and cable TV services in Wisconsin in conjunction with its affiliates under the Northwest Communications umbrella. The internet and cable TV services fall under different regulations than local exchange services; however, they are specifically 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, HC, 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 intercarrier compensation revenue 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 revenue and net reciprocal compensation revenue received by March 31, 2012, for services provided during Program Year (PY) 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 revenue.

Objectives, Scope, and Procedures

Objective
The purpose of our limited scope performance audit was to determine whether the Beneficiary complied with the FCC Rules for the 2023 disbursement period.

Scope
The chart below summarizes the HC Program support included in the audit scope.[3]

HC Support	Data Period	Disbursement Period	Disbursements Audited
CAF ICC	2020-2022	2023	$102,378

Procedures
We performed the following procedures:

A. High Cost Program Support Amount
We recalculated the support that the Beneficiary received for each HC Program component to determine whether there were no more than nominal differences between the amounts received and those recorded in the HC 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 HC data filings based on the dates established by FCC Rules for the support mechanisms identified in the audit scope.

C. Revenues
We obtained and examined the Beneficiary's CAF ICC True-Up supporting documentation, Interstate Switched Access Revenue Allocation documentation, and

[3] The scope of this audit only relates to the CAF ICC disbursements paid in calendar year 2023.

general ledger detail for revenue accounts to determine whether the Beneficiary reported accurate Interstate Billed Switched Access Revenue, Transitional Intrastate Access Service Revenue, Access Charge Rate Revenue, and Incremental Fees.

Detailed Other Matter

<u>Other Matter No. 1, 47 C.F.R. § 32.12(a-c)(2021) – Failure to Maintain Subsidiary Support: Intrastate Revenue</u>

Condition

We obtained and examined the Beneficiary's CAF ICC True-Up documentation including the Carrier Access Billings (CABS) and the general ledger for revenue accounts for the program periods July 2020 to June 2021 and July 2021 to June 2022 to determine whether the carrier's reported Intrastate Terminating Access Revenue recorded on the CAF ICC documentation was supported by the Beneficiary's general ledger revenue account balances.

Although the Beneficiary provided its general ledger detail to support its revenue account balances, we could not reconcile the carrier's reported Intrastate Terminating Access Revenue per the CABS billings to the Intrastate revenue recorded within the Beneficiary's general ledger sub-account 5082.2, as no reconciling subsidiary records were maintained for the revenue recorded on a cash basis.

The Beneficiary provided a reconciliation between the intrastate revenue billed and the cash receipts related to the billed amounts due to using the cash basis of accounting to recognize revenue. The reconciliation also accounted for billings of intrastate revenue billed on behalf of other entities. However, Sikich reviewed the reconciliation and could not verify the accuracy and completeness of, or reperform, the reconciliation based on the information available.

Cause

The Beneficiary recorded its intrastate access revenue in its general ledger on a cash basis and did not have an adequate process in place for maintaining subsidiary information reconciling the Intrastate Terminating Access Revenue it received and recognized on the cash basis to the revenue it billed and reported for HC Program purposes.

Effect

Although the Beneficiary used of the cash basis revenue recognition methodology, the Beneficiary utilized the actual CABS billings to report the intrastate revenue to NECA. Because Sikich was able to reconcile the CABS billings to the NECA reported Intrastate Terminating Access Revenue, we determined that the intrastate revenue was properly reported. Accordingly, there is no monetary effect for this other matter.

Recommendation

We recommend the Beneficiary implement additional policies and procedures to ensure it maintains its general ledger and subsidiary information in a manner that allows it to reconcile its Intrastate Terminating Access Revenue per the CABS billings to the intrastate revenue recorded within its general ledger for HC Program purposes.

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

Beneficiary Response

Somerset agrees with this other matter. Somerset plans to switch to accrual accounting for CABS billing and will book the general ledger entries when they are billed, setting up an Accounts Receivable for the payments. This will make reconciliation of CAF ICC to GL easier to follow.

Sikich Response
Our position on this other matter remains unchanged.

Criteria

Other Matters	Criteria	Description
1	47 C.F.R. § 32.12(a-c) (2021)	*§ 32.12 Records.* *(a) The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts. (b) The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission. (c) The Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, will be readily available. When this occurs, or where the full information is not otherwise recorded in the general books, the subsidiary records shall be maintained in sufficient detail to facilitate the reporting of the required specific information. The subsidiary records, in which the full details are shown, shall be sufficiently referenced to permit ready identification and examination by representatives of this Commission.*

Sikich CPA LLC

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A Chickasaw Telecom Inc.	1	• No significant findings.	$90,972	$320	$320	N
Attachment B United States Cellular Operating Company	3	• No significant findings.	$1,043,927	$10,867	$10,867	N
Total	**4**		**$1,134,899**	**$11,187**	**$11,187**	

Attachment A

LI2024LR001

Universal Service
Administrative Co.

Available for Public Use

Chickasaw Telecom Inc.

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

USAC Audit No. LI2024LR001

Universal Service Administrative Co.

CONTENTS

EXECUTIVE SUMMARY

January 22, 2025

Ben Warren, Director of Accounting
Chickasaw Telephone Co.
5 North McCormick Street
Oklahoma City, OK 73127

Dear Mr. Warren:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Chickasaw Telecom, Inc. (Beneficiary), for all study area codes (SACs) where the Beneficiary claimed subscribers during the 12-month period from July 1, 2022 through June 30, 2023, using the regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Federal Communication Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

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

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

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

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

Sincerely,

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

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

AUDIT RESULT AND RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery
Finding: 47 C.F.R. § 54.407(b) (2022) – Failure to Pass Through Full Lifeline Support. The Beneficiary claimed and received the full Lifeline benefit amount but only passed through a pro-rated amount for 38 out of 49 subscribers sampled.	$320

USAC MANAGEMENT RESPONSE

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

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Lifeline program support the Beneficiary received based on its Lifeline Claims System (LCS) submissions for the 12-month period from July 1, 2022 through June 30, 2023 (the audit period):

SAC Number	State/Territory	Support Type	Number of Subscriber Claims	Amount of Support
431980	Oklahoma	Tribal Lifeline	3,591	$90,650
		Tribal Link Up	14	$322
		Total	**3,605**	**$90,972**

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

BACKGROUND

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

PROCEDURES

AAD performed the following procedures:

A. Lifeline Claims System

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

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained tribal subscribers who resided outside of Federally designated tribal land.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained subscribers living at the same address.
- 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.
- The subscribers who received Tribal Link Up support also received Tribal Lifeline support.
- The new Tribal subscribers who are eligible received Tribal Link Up support.

B. Lifeline Subscriber Discounts

AAD obtained and examined documentation to demonstrate that the Beneficiary passed through the Lifeline Program support to all subscribers as a discount on the monthly bills and confirmed whether the amount agreed to its monthly LCS claims.

C. Usage Process

AAD obtained an understanding from the Beneficiary as to whether it assessed and collected a monthly fee from its subscribers, and if not, whether the Beneficiary monitored subscriber accounts for evidence of usage. AAD obtained and examined a sample of bills for 58 subscribers and validated that the Beneficiary assessed and collected a monthly fee and, thus, was not subject to the requirements of monitoring whether subscribers used the service within the last 30 days or cured their non-usage.

D. Minimum Service Standard

AAD obtained and examined the Beneficiary's evidence of the level of service provided for all subscribers to determine whether the Beneficiary provided eligible services that meet the minimum service standards the related amount claimed to the LCS agree with the amount permitted based on the service offerings to its Lifeline subscribers.

E. Reseller-based Telecommunication Providers

AAD obtained and examined documentation to determine whether the Beneficiary is a reseller of telecommunication services, and if so, AAD 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

AAD obtained an understanding of the Beneficiary's enrollment representative process relating to the Lifeline program to determine whether the Beneficiary complied with the FCC Rules. AAD also examined documentation for three enrollment representatives to determine whether the Beneficiary compensates its enrollment representatives on a commission basis.

DETAILED AUDIT FINDING

FINDING: 47 C.F.R. § 54.407(b) (2022)- Failure to Pass Through Full Lifeline Support

CONDITION

AAD obtained and examined the Beneficiary's billing registers for the audit period to determine if the Lifeline program support reimbursed to the Beneficiary per the Lifeline Claims System (LCS) was passed onto the subscribers in the full amount of support per month.[1] AAD determined that for 38 of the 49 Lifeline subscribers who enrolled in Lifeline during the audit period, the amount disbursed to the Beneficiary exceeded the amount passed through to the subscribers,[2] as detailed below:

Support per LCS (A)	Support per Billing Register (B)	Difference (A-B)
$5,782	$5,462	$320

The Beneficiary billed these subscribers for a partial month of service based on their enrollment date. Since the Beneficiary partially billed the subscriber for the plan, it also pro-rated the corresponding Lifeline benefit.[3] The FCC Rules require that the Beneficiary reimburse the subscribers for an amount equal to the amount of Lifeline program support disbursed to the Beneficiary.[4] The Beneficiary stated that the remainder of the benefit was passed through to the subscriber at de-enrollment, since they do not claim the subscriber in LCS in their final month of service.[5] For three of the 38 subscribers, AAD noted the subscriber did receive the benefit owed upon de-enrollment. However, AAD still concludes that the Beneficiary did not pass through the full amount of Lifeline support per month claimed per the LCS.

CAUSE

The Beneficiary did not have adequate controls and procedures that addressed the requirement to pass through the full amount of Lifeline support per month.

EFFECT

AAD calculated the monetary effect for this finding by determining the difference between the Lifeline support distributed for the 35 subscribers per the LCS and the Lifeline support passed onto the subscribers per the billing registers, rounded to the nearest dollar. For the three subscribers that received a partial pass through

[1] 47 C.F.R. § 54.403(a)(1) (2022).

[2] 47 C.F.R. § 54.407(b) (2022).

[3] Beneficiary response to Audit Results Summary received on November 26, 2024.

[4] 47 C.F.R. § 54.403(a)(1) (2022).

[5] Beneficiary response to AIR request #22 received on November 5, 2024.

of the benefit at enrollment and at de-enrollment, we netted the benefit received. Since the three subscribers received the full benefit, there was no amount to include as part of the monetary recovery. However, those three subscribers are still noted as a rule violation in the Condition. AAD summarized the results below:

Study Area Code	Support Type	Monetary Effect and Recommended Recovery
431980	Tribal Lifeline	$320
	Total:	**$320**

RECOMMENDATION

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

The Beneficiary must implement policies, controls, and procedures to ensure it passes through the full amount of Lifeline program support per month claimed in the LCS to the Lifeline subscribers. In addition, the Beneficiary may learn more about the Lifeline program requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-lifeline-program/.

BENEFICIARY RESPONSE

> When a subscriber changes from Lifeline phone to Lifeline Broadband or vice versa the credit is immediately changed when the order is written not when order is completed, although some orders are written and completed on the same day. Chickasaw can make sure to make those changes on the order completion date going forward. I believe also there's a timing issue on some of the subscribers' invoices. If the subscriber disconnects or loses their Lifeline credit after Chickasaw does their billing—the credit will not show up until after the following month of the bill. Example CTC does Billing on Dec. 21—subscriber disconnects or loses their Lifeline credit on December 23—then the customer will not see that Lifeline partial month credit until the February invoice. Chickasaw Telephone Company will only submit for support the amount allowed by FCC Rule 54.403.
> USAC Lifeline Claim System does not allow for partial month billing (credits or charges). Chickasaw does partial month credits and charges. This is not something Chickasaw can change, but Chickasaw will only apply for the amount of credit that is allowed by FCC Rule 54.403.

CRITERIA

47 C.F.R. § 54.407(b) (2022):

> For each qualifying low-income consumer receiving Lifeline service, the reimbursement amount shall equal the federal support amount, including the support amounts described in § 54.403(a) and (c). The eligible telecommunications carrier's universal service support reimbursement shall not exceed the carrier's rate for that offering, or similar offerings, subscribed to by consumers who do not qualify for Lifeline.

47 C.F.R. § 54.403(a)(1) (2022):

> ***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.

This concludes the report.

Attachment B

LI2022LR016

DP George & Company

United States Cellular Operating Company

Limited Review Audit on Compliance with the Federal Universal Service Fund Lifeline Support Mechanism Rules
USAC Audit No. LI2022LR016

CONTENTS

DP George & Company

EXECUTIVE SUMMARY

May 7, 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 United States Cellular Operating 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. 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 three 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. § 54.407(c) (2019) – Improper Non-Usage Process: Usage Tracking. The Holding Company did not track usage for subscribers on its Lifeline service plan where the Holding Company assessed and collected an annual fee instead of a monthly fee.	$5,484
Finding #2: 47 C.F.R. § 54.403(a)(3) (2019) – Tribal Lifeline Support Claimed for Non-Tribal Subscribers. The Holding Company claimed non-Tribal subscribers, who received a non-Tribal discount, at the Tribal support rate.	$3,875
Finding #3: 47 C.F.R. § 54.403(a)(2) (2019) – Minimum Service Standards: Failure to Reduce Basic Lifeline Support Amount The Holding Company did not reduce the basic Lifeline support amount for subscribers who were offered either standalone voice service or voice service with broadband below the minimum service standard.	$1,508
Total Monetary Effect	**$10,867**

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 purpose 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
109002	ME	Non-Tribal Lifeline	997	$96,166
109002	ME	Tribal Lifeline	16	$6,834
129002	NH	Non-Tribal Lifeline	17	$1,704
199004	VA	Non-Tribal Lifeline	52	$5,483
209005	WV	Non-Tribal Lifeline	90	$10,416
239006	NC	Non-Tribal Lifeline	206	$20,128
239006	NC	Tribal Lifeline	1	$62
299010	TN	Non-Tribal Lifeline	61	$5,780
339007	WI	Non-Tribal Lifeline	708	$75,326
339007	WI	Tribal Lifeline	1	$447
349007	IL	Non-Tribal Lifeline	106	$11,530
359016	IA	Non-Tribal Lifeline	362	$39,716

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
359016	IA	Tribal Lifeline	1	$118
379019	NE	Non-Tribal Lifeline	229	$25,903
419012	KS	Non-Tribal Lifeline	28	$3,020
429007	MO	Non-Tribal Lifeline	115	$11,685
439004	OK	Non-Tribal Lifeline	197	$16,941
439004	OK	Tribal Lifeline	446	$176,026
529001	WA	Non-Tribal Lifeline	138	$11,084
529001	WA	Tribal Lifeline	850	$388,620
539002	OR	Non-Tribal Lifeline	1,269	$136,938
Total			**5,890**	**$1,043,927**

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 section 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 FCC Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier results for 525 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 57 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 525 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 279 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 525 subscribers to determine whether the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

H. 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 15 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. § 54.407(c) (2019) – Improper Non-Usage Process: Usage Tracking

CONDITION

DPG reviewed the Holding Company's advertising materials and identified that the "Lifeline: Prepaid Tribal Only" plan ("Plan") offered by the Holding Company was advertised with a $36 annual fee. DPG identified 295 subscribers using the Plan. DPG examined the billing activity for these 295 subscribers and verified the subscribers were assessed a $36 fee annually and were not required to make a payment until the next annual fee (i.e., the Holding Company prorated the annual fee monthly but did not collect on it until the next year). The Holding Company confirmed that it did not track usage for subscribers under the Plan. Because the Holding Company did not assess and collect a "monthly" fee for the Plan,[1] DPG determined that the subscribers using the Plan were required to satisfy usage requirements to maintain their program eligibility.[2]

DPG performed usage testing for a sample of 279 subscribers of all plans. Of these subscribers, 120 subscribers were using the Plan. The Holding Company produced usage reports summarized at a monthly level for the 120 subscribers. However, the usage reports the Holding Company produced only included summarized information on the subscribers' minutes of use and data used during the calendar month. The Holding Company could not provide detailed usage records that would allow DPG to determine the first and last dates of usage for the purpose of assessing whether a 45-day period (30 consecutive days of non-usage plus the following 15-day period to cure non-usage) of non-usage occurred with respect to these subscribers.[3] Of the 120 subscribers, DPG identified six subscribers where the usage reports reflected one month where valid usage activity did not occur and without first and last usage dates, and DPG was unable to determine whether the subscriber cured their non-usage in the subsequent month within the 15-day period. DPG also identified 12 subscribers where the usage reports reflected two consecutive months where valid usage activity did not occur. Starting with the first month where a usage report did not reflect valid usage activity and counting all claims subsequent to that month, DPG identified a total of 168 ineligible claim months for the 18 subscribers.

CAUSE

The Holding Company developed the annual payment plans to address difficulties faced by Tribal populations in making payments each month. The Holding Company did not track usage for these subscribers because the Holding Company believed that proration of the annual fee over the 12-month plan period satisfied the monthly payment requirement.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
339007	Tribal Lifeline	$447
439004	Tribal Lifeline	$1,850
529001	Tribal Lifeline	$3,187
	Total:	**$5,484**

[1] *See* 47 C.F.R. § 54.407(c) (2019).
[2] *See* 47 C.F.R. § 54.407(c)(2) (2019).
[3] *See* 47 C.F.R. § 54.405(e)(3) (2019).

DPG calculated the monetary effect of $5,484 by determining the first claimed month per subscriber cited where valid usage activity was not supported, and by adding all the subsequent months the subscriber was claimed to that first month. DPG identified a total of 168 ineligible claim months for the 18 subscribers where usage reports did not reflect valid usage activity. DPG multiplied the 168 ineligible claim months by the support amount requested in the LCS submission and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Tribal Lifeline	48	$34.25	$1,644
Tribal Lifeline	105	$32.25	$3,386
Tribal Lifeline	15	$30.25	$454
		Total:	**$5,484**

RECOMMENDATION

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

DPG also recommends that the Holding Company implement policies and procedures to ensure that it tracks the appropriate activities identified in the FCC Rules and de-enrolls subscribers who fail to perform one of the allowable usage activities within the required timeframe. 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

We are updating our policies and procedures as recommended, implementing changes in Q1 2025.

Finding #2: 47 C.F.R. § 54.403(a)(3) (2019) – Tribal Lifeline Support Claimed for Non-Tribal Subscribers

CONDITION

DPG identified 1,271 addresses across six SACs where the Holding Company claimed Tribal support in LCS during the audit period. DPG used mapping software to map the address locations against Tribal land boundaries and identified 14 addresses across four SACs where the subscriber's address was not located on Tribal lands. DPG requested certification documentation for the 14 subscribers to confirm that they self-certified in their application to residing on Tribal lands. In response to DPG's request, the Holding Company indicated that it set the Tribal flag in LCS to yes in error for 10 of the 14 subscribers, and that for two of the 14 subscribers, it did not update the Tribal flag at the time the subscribers updated their primary residential location to a Non-Tribal address. For the remaining two subscribers, no support or explanation was provided by the Holding Company, but DPG noted both subscribers were claimed for Tribal support in June 2020, but were claimed at the Non-Tribal support rate in all other months during the audit period.

In response to the above results, DPG performed additional analysis to identify subscribers who moved between the Tribal and Non-Tribal support rate during the audit period. DPG's analysis identified an additional 32 subscribers who were claimed in June 2020 at the Tribal rate but were claimed at a Non-Tribal rate in the months before and after June 2020. In total, DPG identified 46 subscribers for whom Tribal support was claimed when the Holding Company passed through the basic support amount to these subscribers.[4]

As additional confirmation of the above condition, nine of the 46 identified subscribers were included in the sample selected for pass-through testing. DPG verified that for the nine subscribers tested, the amount passed through to the subscriber in June 2020 was consistent with the basic support amount (i.e., Non-Tribal support).

CAUSE

The Holding Company did not have an adequate process in place to ensure that Tribal support was only claimed for subscribers residing on Tribal land and receiving a Tribal discount. DPG noted that once a subscriber was flagged as Tribal in the LCS system, the subscriber could be claimed at the Tribal support rate even if they were not on a Tribal service plan within the Holding Company's system.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
239006	Tribal Lifeline	$25
359016	Tribal Lifeline	$25
439004	Tribal Lifeline	$1,850
529001	Tribal Lifeline	$1,975
	Total:	**$3,875**

DPG calculated the monetary effect of $3,875 by first determining the number of instances (months) the Holding Company claimed the 46 subscribers at the Tribal support rate when they should have been claimed at the Non-Tribal support rate. DPG identified a total of 155 such instances. DPG multiplied the instances by the enhanced Tribal Lifeline support amount ($25) requested in the LCS submissions and rounded to the nearest whole dollar.

RECOMMENDATION

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

DPG recommends that the Holding Company implement policies and procedures to ensure it only claims Tribal support for eligible Tribal subscribers who have certified to residing within designated Tribal service areas. DPG also recommends that the Holding Company implement policies and procedures to ensure that pass-through discounts are aligned with support amounts claimed in LCS.

HOLDING COMPANY RESPONSE

All enrollments and verifications are now completed via NLAD. Due to the process changes, these issues will not recur.

[4] *See* 47 C.F.R. §§ 54.403(a)(3), 54.407(b) (2019).

Finding #3: 47 C.F.R. § 54.403(a)(2) (2019) – Minimum Service Standards: Failure to Reduce Basic Lifeline Support Amount

CONDITION

DPG obtained and examined advertising documentation for a statistically based sample of 525 subscribers to determine whether the Holding Company claimed Lifeline support following the minimum service standards based on its offerings. DPG identified 78 subscribers where the Holding Company claimed the subscribers as Bundled Voice Broadband subscribers in LCS at the full basic Lifeline support amount ($9.25). DPG determined that the mobile broadband portion of the service plan for these subscribers did not meet the minimum service standards requirements[5] and that the subscribers should have been claimed at the mobile voice support amounts of $7.25 or $5.25 in effect for the applicable claim month.[6] DPG determined for the 78 subscribers that:

- 70 subscribers (478 claims) received mobile broadband but the usage allowance did not meet the minimum service standard, and
- Eight subscribers (32 claims) did not receive any mobile broadband.

CAUSE

The Holding Company's service plan did not meet the minimum service standards for mobile broadband and the Holding Company did not decrease the amount of claimed support.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
109002	Non-Tribal Lifeline	$164
109002	Tribal Lifeline	$4
129002	Non-Tribal Lifeline	$12
239006	Non-Tribal Lifeline	$20
339007	Non-Tribal Lifeline	$76
349007	Non-Tribal Lifeline	$12
359016	Non-Tribal Lifeline	$98
379019	Non-Tribal Lifeline	$8
429007	Non-Tribal Lifeline	$18
439004	Non-Tribal Lifeline	$10
439004	Tribal Lifeline	$118
529001	Non-Tribal Lifeline	$20
529001	Tribal Lifeline	$48
539002	Non-Tribal Lifeline	$900
	Total:	**$1,508**

DPG calculated the monetary effect of $1,508 by first determining the number of instances (months) the Holding Company claimed the 78 subscribers. DPG identified a total of 510 such instances. DPG multiplied the 510 instances by the difference between the actual support received and the reduced support amount applicable to

[5] *See* 47 C.F.R. §§ 54.403(a)(2), 54.408(b)(2) (2019).

[6] *See* 47 C.F.R. §§ 54.403(a)(2), 54.407(b) (2019); *see also Lifeline and Link Up Reform and Modernization et. al.*, Order, 34 FCC Rcd 11020, 11020, para. 2 (2019); *see also Lifeline and Link Up Reform and Modernization et. al.*, WC Docket No. 11-42, Order, 35 FCC Rcd 12958, para. 2 (WCB 2020).

the claims requested in the January 2020 through June 2021 LCS submissions and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Non-Tribal Lifeline	193	$2.00	$386
Non-Tribal Lifeline	238	$4.00	$952
Tribal Lifeline	73	$2.00	$146
Tribal Lifeline	6	$4.00	$24
		Total:	**$1,508**

RECOMMENDATION

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

DPG also recommends that the Holding Company establish procedures to ensure that the Lifeline minimum service standard rules are implemented appropriately.

HOLDING COMPANY RESPONSE

We have reviewed and updated our processes to ensure the Lifeline Reimbursement Claim amounts align with the plan eligibility.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.407(c) (2019)	"(c) An eligible telecommunications carrier offering a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers: (1) Shall not receive universal service support for a subscriber to such Lifeline service until the subscriber activates the service by whatever means specified by the carrier, such as completing an outbound call; and (2) After service activation, an eligible telecommunications carrier shall only continue to receive universal service support reimbursement for such Lifeline service provided to subscribers who have used the service within the last 30 days, or who have cured their non-usage as provided for in § 54.405(e)(3). Any of these activities, if undertaken by the subscriber, will establish "usage" of the Lifeline service: (i) Completion of an outbound call or usage of data; (ii) Purchase of minutes or data from the eligible telecommunications carrier to add to the subscriber's service plan; (iii) Answering an incoming call from a party other than the eligible telecommunications carrier or the eligible telecommunications carrier's agent or representative; (iv) Responding to direct contact from the eligible communications carrier and confirming that he or she wants to continue receiving Lifeline service; or (v) Sending a text message."
#1	47 C.F.R. § 54.405(e)(3) (2019)	"(3) *De-enrollment for non-usage*. Notwithstanding paragraph (e)(1) of this section, if a Lifeline subscriber fails to use, as 'usage' is defined in [47 C.F.R.] § 54.407(c)(2), for 30 consecutive days a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers, an eligible telecommunications carrier must provide the subscriber 15 days' notice, using clear, easily understood language, that the subscriber's failure to use the Lifeline service within the 15-day notice period will result in service termination for non-usage under this paragraph…"
#2	47 C.F.R. § 54.403(a)(3) (2019)	"(3) Additional federal Lifeline support of up to $25 per month will be made available to a eligible telecommunications carrier providing facilities-based Lifeline service to an eligible resident of Tribal lands, as defined 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."
#2	47 C.F.R. § 54.410(d)(3)(iii) (2019)	"(d) *Eligibility certification form.* Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber's eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that provide the information in paragraphs (d)(1) through (3) of this section in clear, easily understood language...

Finding	Criteria	Description
		(3) The form provided by the entity enrolling subscribers shall require each prospective subscriber to initial his or her acknowledgement of each of the certifications in paragraphs (d)(3)(i) through (viii) of this section individually and under penalty of perjury:… (iii) If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e);”
#3	47 C.F.R. § 54.403(a)(2) (2019)	“(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. (iii) From December 1, 2020 until November 30, 2021, the support amount will be $5.25 per month.”
#3	47 C.F.R. § 54.408(b)(2) (2019)	“(2) Mobile broadband will have minimum service standards for speed and data usage allowance. (i) The minimum service standard for mobile broadband speed will be 3G. (ii) The minimum service standard for mobile broadband data usage allowance will be: (A) From December 1, 2016 until November 30, 2017, 500 megabytes per month; (B) From December 1, 2017, until November 30, 2018, 1 gigabyte per month; (C) From December 1, 2018 until November 30, 2019, 2 gigabytes per month; and (D) On and after December 1, 2019, the minimum standard will be calculated using the mechanism set forth in paragraphs (c)(2)(ii)(A) through (D) of this section. If the data listed in paragraphs (c)(2)(ii)(A) through (D) do not meet the criteria set forth in paragraph (c)(2)(iii) of this section, then the updating mechanism in paragraph (c)(2)(iii) will be used instead.
#3	47 C.F.R. § 54.407(b) (2019)	“(b) For each qualifying low-income consumer receiving Lifeline service, the reimbursement amount shall equal the federal support amount, including the support amounts described in § 54.403(a) and (c). The eligible telecommunications carrier's universal service support reimbursement shall not exceed the carrier's rate for that offering, or similar offerings, subscribed to by consumers who do not qualify for Lifeline.”
#3	*Lifeline and Link Up Reform and Modernization et. al.*, Order, 34 FCC Rcd 11020, 11020, para. 2 (2019).	“…Specifically, we waive the rule to the extent it would establish a minimum service standard greater than 3 GB per month, beginning on December 1, 2019…”
#3	*Lifeline and Link Up Reform and*	“…Specifically, we waive the rule to the extent it would establish a minimum service standard greater than 4.5 GB/month, beginning on

Finding	Criteria	Description
	Modernization et. al., WC Docket No. 11-42, Order, 35 FCC Rcd 12958, para. 2 (WCB 2020).	December 1, 2020, finding that this moderate 50% increase equal to the 50% increase permitted by the Commission's partial waiver of the rule last year balances the program's goals of accessibility and affordability…"

This concludes the report.