



High Cost & Low Income Committee

Audit Briefing Book

Monday, April 27, 2026

Available for Public Use

Universal Service Administrative Company

700 12th Street, NW, Suite 900

Washington, D.C. 20005

Summary of the Low Income Support Mechanism Beneficiary Audit Reports Released: January 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A Golden West Telecommunications Cooperative, Inc.	2	<ul style="list-style-type: none"> No significant findings. 	\$179,381	\$2,830	\$2,830	Partial
Attachment B American Samoa Telecommunications Authority	2	<ul style="list-style-type: none"> No significant findings. 	\$81,879	\$3,771	\$3,771	N
Total	4		\$261,260	\$6,601	\$6,601	

INFO Item: Audit Released January 2026

Attachment A

4/27/2026

Attachment A

LI2024LR004

Golden West Telecommunications Cooperative, Inc.

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

USAC Audit No. LI2024LR004

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EXECUTIVE SUMMARY

September 23, 2025

Gordy Kraut, CFO
Golden West Telecommunications Cooperative, Inc.
415 Crown Street
Wall, SD 57790-0411

Dear Mr. Kraut:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Golden West Telecommunications Cooperative, 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 two detailed audit findings discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period. AAD's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future AAD, USAC, or FCC verification, audit, or investigation.

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 you and your staff provided during the audit.

Sincerely,



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

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

AUDIT RESULTS AND RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. § 54.400(e) and 47 C.F.R. § 54.403(a)(3) (2022) – Ineligible Subscriber Receiving Tribal Lifeline Support. The Beneficiary claimed Tribal Lifeline support for one subscriber who did not reside on Tribal lands.	\$1,568
Finding #2: 47 C.F.R. § 54.407(b) (2022) - Failure to Pass Through Full Lifeline Support. The Beneficiary did not pass through the full Lifeline support claimed for 149 subscribers.	\$1,262
Total Net Monetary Effect and Recommended Recovery	\$ 2,830

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
391640	South Dakota	Lifeline	132	\$1,024
391659	South Dakota	Lifeline	1,340	\$11,359
		Tribal Lifeline	1,967	\$66,009
391667	South Dakota	Lifeline	47	\$387
391677	South Dakota	Lifeline	286	\$2,443
391684	South Dakota	Lifeline	120	\$1,068
391686	South Dakota	Lifeline	1,593	\$12,910
		Tribal Lifeline	2,497	\$84,181
Total			7,982	\$179,381

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 duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline program support was provided to subscribers whose lines were disconnected prior to the audit period.

B. Lifeline Subscriber Discounts

AAD obtained and examined the Beneficiary's billing register to demonstrate that the Beneficiary passed through 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 whether it assessed and collected a monthly fee from its subscribers. While the Beneficiary asserted that it assessed and collected a monthly fee, AAD confirmed that the Beneficiary did not consistently collect a monthly fee for a portion of its subscribers. Thus, AAD obtained an understanding as to whether the Beneficiary monitored subscribers' accounts for evidence of valid usage activities per the FCC Rules, and only claimed in LCS the subscribers who used the service within the last 30 days or cured their non-usage. AAD obtained and examined documentation for three subscribers and confirmed the Beneficiary properly monitored and claimed the subscribers who used the service within the last 30 days or cured their non-usage. The scope of this audit did not include an assessment of the Beneficiary's systems that provision, process, and monitor subscribers' usage activities.

D. Minimum Service Standard

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

and 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 from the Beneficiary's enrollment representatives internally and, if so, assessed the Beneficiary's enrollment representative process relating to the Lifeline program to determine whether the Beneficiary complied with the FCC Rules. AAD obtained and examined documentation for four enrollment representatives to determine whether the Beneficiary compensates its enrollment representatives on a commission basis.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.400(e) and 47 C.F.R. § 54.403(a)(3) (2022) – Ineligible Subscriber Receiving Tribal Lifeline Support

CONDITION

AAD obtained and examined the Beneficiary’s subscriber claims submitted in the Lifeline Claims System (LCS) for the audit period, including analyzing all of the subscriber addresses to determine whether subscribers receiving Tribal Lifeline support¹ resided on federally recognized Tribal lands² and within the Beneficiary’s designated Eligible Telecommunications Carrier (ETC) service area.³ AAD identified that one of 802 subscribers did not reside on Tribal lands; however, the Beneficiary claimed Tribal Lifeline support for the subscriber in SAC 391659.

Since the subscriber did not reside in Tribal lands, AAD concluded that the subscriber was not eligible to receive Tribal Lifeline Program support. The Beneficiary should have claimed Non-Tribal Lifeline support instead.

CAUSE

The Beneficiary stated that the error occurred inadvertently and that addresses are verified via the Tribal address lookup tool provided by USAC, which is located in the E-file system.⁴

EFFECT

AAD calculated the monetary effect of \$1,568 by determining the number of instances (months) the Beneficiary claimed Tribal Lifeline support for the one subscriber based on the subscriber’s address effective in LCS as of May 31, 2017, and the subscriber’s enrollment date. AAD identified a total of 73 instances. AAD multiplied the 73 instances by the difference between Tribal Lifeline support claimed in LCS and the non-Tribal Lifeline support in effect and rounded to the nearest whole dollar.

Study Area Code	Support Type	Tribal Rate Claimed (A)	Effective Non-Tribal Rate (B)	Rate Difference (C=A-B)	Instances (D)	Monetary Effect and Recommended Recovery (E=C*D)
391659	Tribal Lifeline	\$28.60	\$9.25	\$19.35	29	\$561
		\$28.60	\$7.25	\$21.35	12	\$256
		\$28.60	\$5.25	\$23.35	30	\$701
		\$34.25	\$9.25	\$25.00	2	\$50
				Total	73	\$1,568

¹ 47 CFR 54.403(a)(3) (2022).

² 47 CFR 54.400(e) (2022).

³ 47 CFR 54.201(b) (2022).

⁴ Beneficiary response to Audit Result Summary received October 2, 2024.

RECOMMENDATION

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

The Beneficiary must implement a review process to identify potential errors and ensure its LCS monthly claims correspond to the type of eligible support per the subscriber’s service residential area. In addition, the Beneficiary may learn more about documentation and reporting requirements on USAC’s website at <https://www.usac.org/about/appeals-audits/common-findings/common-audit-findings-lifeline-program/#>.

BENEFICIARY RESPONSE

Golden West does not dispute this finding. Golden West contracted Solix to administer verification prior to the National Verifier. The 2017 service order to add Lifeline service to this customer indicates that Solix had determined this subscriber was eligible for Tribal Lifeline. Golden West no longer contracts with Solix, as the National Verifier now determines eligibility. Golden West verifies on a monthly basis that the Tribal status in our billing system matches the status in NLAD.

Finding #2: 47 C.F.R. § 54.407(b) (2022) – Failure to Pass-Through Full Lifeline Support

CONDITION

AAD obtained and examined the Beneficiary’s billing register and Lifeline Claim System (LCS) submissions for the audit period and matched all of the subscribers’ monthly claims per LCS to the subscribers’ amount credited on the billing register to ensure the Beneficiary passed the Lifeline support onto the subscribers in the full amount of support as claimed per month.⁵ AAD determined that for 149 of the 802 Lifeline subscribers, the amount claimed by the Beneficiary in LCS exceeded the amount passed through to the subscribers.⁶ See below for further details:

Subscribers Affected	LCS (A)	Billing Register (B)	Claimed Amount in Excess of Amounts Passed Through to Subscribers (C)=(A)-(B)
149	\$16,925	\$15,663	\$1,262

The FCC Rules require that the Beneficiary pass through to the subscribers the full amount of Lifeline support that is equal to the Lifeline support reimbursed to the Beneficiary.⁷ Since the Beneficiary was reimbursed a

⁵ 47 C.F.R. § 54.403(a)(1), (3) (2022).

⁶ 47 C.F.R. § 54.407(b) (2022).

⁷ 47 C.F.R. §§ 54.403(a)(1), (3), 54.407(b) (2022).

monthly amount higher than the amount it passed through its subscribers, AAD concludes that the Beneficiary did not pass through the full amount of Lifeline support per month claimed per LCS.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to address the requirement to pass through the full amount of Lifeline support per month. The Beneficiary stated that prorated first-month benefits are returned to the subscriber when they de-enroll, as the subscriber is not claimed in LCS in their final month of service.⁸

EFFECT

AAD calculated the monetary effect for this finding by determining the difference between the monthly Lifeline support for the 149 subscribers per the LCS and the Lifeline support passed onto the subscribers per the billing register, rounded to the nearest dollar.⁹ AAD summarized the results below:

Study Area Code	Support Type	Monetary Effect and Recommended Recovery
391686	Tribal Lifeline	\$488
391659	Tribal Lifeline	\$343
391659	Lifeline	\$150
391686	Lifeline	\$138
391677	Lifeline	\$63
391686	Tribal Lifeline	\$29
391684	Lifeline	\$10
391667	Lifeline	\$9
391640	Lifeline	\$9
391686	Lifeline	\$9
391659	Lifeline	\$9
391686	Lifeline	\$5
	Total:	\$1,262

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 that the full amount of Lifeline Program support per month claimed in the LCS is passed through 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/common-findings/common-audit-findings-lifeline-program/#>.

⁸ Beneficiary response to AIR #14 received on May 28, 2024.

⁹ AAD identified that five subscribers who received a partial Lifeline benefit at enrollment and again at de-enrollment during the audit period, received the full Lifeline benefit amount they should have received. Therefore, the net monetary effect and recommended recovery amount for these five subscribers is \$0.

BENEFICIARY RESPONSE

Golden West does not agree with this finding and requests definitive guidance on how prorations should be handled with regard to the Lifeline claim process. Prior to USAC implementing the 1st of the month snapshot, Golden West claimed the exact prorated amount that was passed through to the customer. Example- If a customer connected mid-month, we were able to claim \$4.63 (half the discount), rather than \$9.25. Golden West no longer has the ability to only claim the passed through amount. This finding only takes into account one side of the proration, as a partial Lifeline discount is passed through for the first month of service AND the last month of service. Golden West cannot claim anything for the final month of service since the customer is no longer eligible on the 1st of the month snapshot following de-enrollment.

It appears in this finding we should provide \$9.25 to a customer who maybe only had service for a few days during the first month. In the customer's final month of service it appears Golden West should incur the loss of the partial Lifeline discount as they are not included in that month's snapshot of service.

AAD RESPONSE

In its response, the Beneficiary states "Prior to USAC implementing the 1st of the month snapshot, Golden West claimed the exact prorated amount that was passed through to the customer." The FCC 2012 Lifeline Reform Order did establish a fixed rate of reimbursement for voice services,¹⁰ with the FCC 2016 Lifeline Modernization Order expanding the program to broadband services.¹¹ However, it is the Beneficiary's responsibility to ensure the full Lifeline support reimbursed to the Beneficiary is passed through to qualifying low-income consumers in accordance with 47 C.F.R. § 54.403(a)(1). Therefore, AAD's position regarding this finding remains the same.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.400(e) (2022)	Eligible resident of Tribal lands. An "eligible resident of Tribal lands" is a "qualifying low-income consumer," as defined in paragraph (a) of this section, living on Tribal lands. For purposes of this subpart, "Tribal lands" include any federally recognized Indian tribe's reservation, pueblo, or colony, including former reservations in Oklahoma; Alaska Native regions established pursuant to the Alaska Native Claims Settlement Act (85 Stat. 688); Indian allotments; Hawaiian Home Lands—areas held in trust for Native Hawaiians by the state of Hawaii, pursuant to the Hawaiian Homes Commission Act, 1920 July 9, 1921, 42 Stat. 108, et. seq., as amended; and any land designated as such by the Commission for purposes of this subpart pursuant to the designation process in § 54.412.

¹⁰ *Lifeline and Link Up Reform and Modernization*, 27 FCC Rcd at 6656, para. 58 (2012).

¹¹ *Lifeline and Link Up Reform and Modernization; Telecommunications Carriers Eligible for Universal Service Support; Connect America Fund*, 31 FCC Rcd at 3962, para. 29 (2016).

Finding	Criteria	Description
#1, #2	47 CFR § 54.403(a)(3) (2022)	Tribal lands support amount. 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.
#1	47 C.F.R. § 54.201(b) (2022)	A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission
#2	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.
#2	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.
#2	<i>Lifeline and Link Up Reform and Modernization</i> , 27 FCC Rcd at 6656, para. 58. (2012)	Given this evolution, there are two aspects of reimbursement that must be changed to better reflect the realities of the telecommunications marketplace: the structure of the reimbursement mechanism, be it tiered or flat, and the level of reimbursement. We do not have a basis in the record before us to determine at this time the appropriate total level of Lifeline support that should be provided to each low-income consumer to meet our universal service goals established above. However, we agree with commenters that the current structure based on the SLC and Tiers One through Three is administratively burdensome and would benefit from simplification. Therefore, we eliminate Tiers One, Two and Three and replace them with a flat rate. Currently, Tier One support, which is equivalent to the relevant SLC, ranges from \$2.24 per month to \$6.50 per month, while Tier Two support ranges from \$0 to \$1.75 per month, with the vast majority of ETCs receiving the maximum Tier Two support. Tier Three support ranges from \$0 to \$1.75 and the average combined support is \$9.25. Therefore, on an interim basis, beginning with April 2012 disbursements, we set the flat rate to the current average amount of

Finding	Criteria	Description
		non-Tribal Lifeline support provided today, i.e., \$9.25 per line per month. This flat rate will be provided for all subscribers equally, regardless of whether they subscribe to wireline or wireless Lifeline service, and will significantly simplify administration for ETCs.
#2	<i>Lifeline and Link Up Reform and Modernization; Telecommunications Carriers Eligible for Universal Service Support; Connect America Fund, 31 FCC Rcd at 3962, para. 50 (2016)</i>	We allow Lifeline subscribers to apply the discount to fixed or mobile standalone broadband offerings.

This concludes the report.

INFO Item: Audit Released January 2026

Attachment B

4/27/2026

Attachment B

LI2023LR002

American Samoa Telecommunications Authority

Audit ID: LI2023LR002

Universal Service Administrative Company - Lifeline Program

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

Prepared for: Universal Service Administrative Company (“USAC”)

As of Date: January 5, 2026

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

January 5, 2026

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 American Samoa Telecommunications Authority (“ASTCA” or “Beneficiary”) for Study Area Code (“SAC”) 673900, where the Beneficiary claimed subscribers for reimbursement from the Universal Service Fund (“USF”) Low Income Support Mechanism (also known as the Lifeline program) for July 1, 2021, to June 30, 2022. Our work was performed from March 8, 2023, to January 5, 2026 and our results are as of January 5, 2026.

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 Lifeline program, including those set forth in 47 C.F.R. (“Code of Federal Regulations”) Part 54, Subpart E, (collectively “FCC Rules”).

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’s determination is based on the facts and circumstances in this audit and is neither binding nor limiting to any other past or future KPMG, USAC, or FCC verification, audit, or investigation.

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 a finding that is not significant within the context of the audit objective but warrants the attention of those charged with governance. We reported this finding to the Beneficiary's management in a separate letter dated January 5, 2026.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. 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: Michelle Garber, USAC Interim Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
LI2023LR002-F01: 47 C.F.R. § 54.407(b) – Failure to Pass Through Full Lifeline Support. The Beneficiary passed through a monthly Lifeline credit to 913 subscribers that was less than the amount claimed from USAC in the Lifeline Claims System.	\$3,361
LI2023LR002-F02: 47 C.F.R. §§ 54.407(b) and 54.417(a) – Inadequate Documentation: Passthrough of Lifeline Support. The Beneficiary was unable to demonstrate passthrough of the benefit for a portion of subscribers that could not be located in the Beneficiary’s billing system reporting and that the Beneficiary claimed in its LCS submissions.	\$410
Total Monetary Effect	\$3,771

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.

BACKGROUND, OBJECTIVE, SCOPE, AND PROCEDURES

BACKGROUND

Beneficiary Overview

The Beneficiary is an incumbent eligible telecommunications carrier (“ETC”) that provides telecommunications services to Lifeline program participants. The Lifeline program, administered by USAC under the direction of the FCC, provides eligible low-income consumers with a discount on qualifying monthly telephone service, broadband Internet service, or bundled voice-broadband packages purchased from participating wireline and wireless providers.

The Beneficiary is located on the Islands of American Samoa. It provides wireline telephone and internet services for the Islands of American Samoa.

The following chart summarizes the Lifeline program support disbursed by USAC to the Beneficiary based on its Lifeline Claim System (“LCS”) submissions for July 1, 2021 through June 30, 2022:

SAC	State/Territory	Support Type	Number of Subscriber Claims	Amount of Support
673900	American Samoa	Non-Tribal Lifeline	15,596	\$81,879
TOTAL			15,596	\$81,879

OBJECTIVE

The 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 Lifeline program, including those set forth in 47 C.F.R. Part 54, Subpart E, (collectively “FCC Rules”).

SCOPE

The scope of our work relates to reimbursement on Lifeline Claim System submissions made from the Lifeline program for July 1, 2021 to June 30, 2022 related to the SACs noted in the Beneficiary overview section above.

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

1. Lifeline Claim System
2. Waivers
3. Lifeline Subscriber Discounts
4. Usage Process
5. Minimum Service Standards
6. Reseller-based Telecommunication Providers
7. Enrollment Representative Accountability

PROCEDURES

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

1. Lifeline Claim System

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

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained blank social security, date of birth, telephone number, address fields 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.

2. Waivers

KPMG obtained an understanding of the Beneficiary's waiver status to assess whether any waivers issued by the FCC had any impact during the audit period. KPMG observed a COVID Lifeline waiver related to subscriber recertification was in effect during our audit period; therefore, subscriber recertification testing is not in scope.

3. Lifeline Subscriber Discounts

KPMG obtained and examined the monthly billing registers and subscribers' invoices to demonstrate that the Beneficiary passed through Lifeline program support all 1,723 subscribers claimed in LCS during the audit period, as a credit on each monthly bill.

4. Usage Process

KPMG obtained an understanding from the Beneficiary as to whether it assessed and collected a monthly fee from its subscribers. KPMG obtained and examined a sample of bills for 31 subscribers and confirmed 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.

5. Minimum Service Standards

KPMG obtained and examined the Beneficiary's evidence of the level of service provided for all subscribers to determine whether the Beneficiary provided eligible services and devices that meet the Lifeline minimum service standards and whether the related amount claimed to the LCS agreed with the amount permitted based on the service offerings to its Lifeline subscribers.¹

6. Reseller-based Telecommunication Providers

KPMG obtained and examined documentation to determine whether the Beneficiary is a reseller of telecommunication services (uses another carrier's network to provide service relating to the Lifeline program). The evidence confirmed that the Beneficiary is not a reseller of telecommunications and therefore no further reseller testing was applicable.

¹ The Beneficiary only provides fixed voice, for which there is no minimum service requirement.

7. Enrollment Representative Accountability

KPMG 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. KPMG also examined pay and bonus calculation documentation for a sample of two out of the three enrollment agents utilized by the Beneficiary to determine whether the Beneficiary compensates its enrollment representatives and/or their direct supervisors on a commission basis. Limited activity analysis was conducted for sampling purposes only in this audit.

RESULTS

KPMG’s limited review performance audit results include each finding, recommendation and Beneficiary response, and an estimate of the monetary impact of such finding relative to Part 54 of the FCC’s Rules, applicable to the disbursements made from the Lifeline program for July 1, 2021 to June 30, 2022. USAC Management is responsible for any decisions and actions resulting from the findings or recommendations noted.

FINDINGS, RECOMMENDATIONS AND BENEFICIARY RESPONSES

KPMG identified two findings. Details of the findings, including the condition, cause, effect, recommendation and Beneficiary Response are below:

LI2023LR002-F01: 47 C.F.R. § 54.407(b) - Failure to Pass Through Full Lifeline Support

CONDITION

KPMG selected a sample of 31 subscribers and obtained monthly bills from the Beneficiary to validate pass through of the Lifeline credit claimed in LCS to the subscriber bill. For 13 of the 31 samples subscribers, the Beneficiary passed through less than the amount claimed in LCS for each sample, which is not in compliance with FCC Rules.²

KPMG performed further assessment and reviewed the entire Lifeline population in the Beneficiary’s billing register of 1,723 subscribers and noted a total of 913 subscribers that were claimed for the full Lifeline benefit in LCS although the subscribers received an amount less than the amount claimed as the Lifeline credit on their bills for at least one month and may have received no credits for subsequent months claimed in LCS as well.

The 913 subscribers include the 13 subscribers who received less than the amount that was claimed in LCS.

CAUSE

The Beneficiary did not have adequate processes in place establishing the proper review and application of Lifeline credit to subscribers as prescribed by FCC Rules to validate there were not differences in Lifeline credits provided to subscribers and Lifeline credit claimed in LCS.

EFFECT

KPMG calculated the monetary effect for this finding by determining the number of instances (months) each of the 913 subscribers were claimed for reimbursement during the audit period. KPMG identified a total of 1,257 such instances and multiplied the 1,257 instances by the difference in the support amount requested in the LCS submissions to the benefit passed through to the subscriber, noting this varied for each subscriber, from 17 cents to \$5.25 across the instances and totals were netted by subscriber and the total across the 913 subscribers was rounded to the nearest whole dollar.³ The results are summarized below:

SAC Number	Support Type	Lifeline Support Claimed (A)	Passed Through Amount (B)	Difference (A – B)
673900	Non-Tribal Lifeline	\$39,963	\$36,602	\$3,361
TOTAL		\$39,963	\$36,602	\$3,361

² See 47 C.F.R. §§ 54.403(a)(1), (2)(iii), (2)(v) (2021), 54.407(b) (2021).

³ Details around the 913 subscribers and varied dollar amount differences across the 1,257 instances will be provided to USAC and the Beneficiary but was excluded from this report due to the volume.

RECOMMENDATION

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

KPMG recommends that the Beneficiary enhance the review and application of Lifeline credit to subscribers as prescribed by FCC Rules to validate that subscribers are provided with the same Lifeline credit amount claimed in LCS. In addition, the Beneficiary may learn more about the documentation and reporting requirements on USAC's website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-lifeline-program/>.

BENEFICIARY RESPONSE

The Beneficiary provided a signed letter from the American Samoa Telecommunications Authority ("ASTCA") CFO, Chris Danielson for formal response, indicating:

In response to the first finding – Failure to Pass Through Full Lifeline Support. We accept full responsibility for carelessness in following through with common billing practices such as reviewing and confirming quantities, applying credits, and submitting reimbursements. We have since assigned additional staff, training, and support from management to assist in monitoring this process.

LI2023LR002-F02: 47 C.F.R. §§ 54.407(b) and 54.417(a) – Inadequate Documentation: Pass Through of Lifeline Support

CONDITION

KPMG compared the subscribers claimed in LCS for the audit period to the billing system reporting provided by the Beneficiary for the same period and observed that 14 out of 1,723 subscribers claimed in LCS were not included in the billing system report. Thus, the Beneficiary did not demonstrate the pass through of the Lifeline support to a portion of subscribers that the Beneficiary claimed in its LCS submissions.⁴

Additionally, KPMG noted one subscriber was claimed for Lifeline reimbursement for a total of 9 months, but the Beneficiary did not pass through Lifeline credit to the subscriber through the subscriber's monthly bills.

KPMG noted the Beneficiary's failure to pass through the required Lifeline credit to the total of 15 subscribers mentioned above is not in compliance with the FCC Rules.⁵

CAUSE

The Beneficiary did not have adequate processes in place establishing the proper review and passing of Lifeline credit to the subscribers as prescribed by FCC Rules to validate the subscribers are provided with the required Lifeline credit amounts.

⁴ 47 C.F.R § 54.407(b) and 54.417(a) (2021).

⁵ 47 C.F.R § 54.407(b) (2021).

EFFECT

KPMG calculated the monetary effect for this finding by determining the number of instances (months) the 15 subscribers were claimed for reimbursement during the audit period. KPMG identified a total of 78 such instances. KPMG multiplied the 78 instances by the support amount requested in the LCS submissions and rounded to the nearest whole dollar. The results are summarized below:

SAC Number	Support Type	Instances/ Months Claimed (A)	Rate (B)	Total (A * B)
673900	Non-Tribal Lifeline	78	\$5.25	\$410
TOTAL		78		\$410

RECOMMENDATION

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

KPMG also recommends that the Beneficiary enhance review and passing of Lifeline credit to subscribers as prescribed by FCC Rules to validate that subscribers are provided with the required Lifeline credit amount. 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-lifeline-program/>.

BENEFICIARY RESPONSE

The Beneficiary provided a signed letter from the American Samoa Telecommunications Authority ("ASTCA") CFO, Chris Danielson for formal response, indicating:

In response to the second finding – Inadequate Documentation: Passthrough of Lifeline Support. Similarly to the first finding, we accept full responsibility for not tracking lifeline subscriber activities individually but rather as a whole. Upgrading computer software skills have improved record-keeping with detailed historical records has alleviated most if not all the usual discrepancies.

CRITERIA

Finding	Criteria	Description
#1 and #2	47 C.F.R § 54.407(b) (2021)	"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."

Finding	Criteria	Description
#1	47 C.F.R. § 54.403(a)(1)(2)(iii)(v) (2021)	"(a) The federal Lifeline support amount for all eligible telecommunications carriers shall equal: (1) Basic support amount. Federal Lifeline support in the amount of \$9.25 per month will be made available to an eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer, except as provided in paragraph (a)(2) of this section, if that carrier certifies to the Administrator that it will pass through the full amount of support to the qualifying low-income consumer and that it has received any non-federal regulatory approvals necessary to implement the rate reduction. (2) For a Lifeline provider offering either standalone voice service, subject to the minimum service standards set forth in § 54.408, or voice service with broadband below the minimum standards set forth in § 54.408, the support levels will be as follows: (iii) From December 1, 2020 until November 30, 2021, the support amount will be \$5.25 per month. (v) Notwithstanding paragraph (a)(2)(iv) of this section, on December 1, 2021, the support amount for standalone voice service, or voice service not bundled with broadband which meets the minimum standards set forth in § 54.408, provided by a provider that is the only Lifeline provider in a Census block will be the support amount specified in paragraph (a)(2)(iii) of this section."
#2	47 C.F.R. § 54.417(a)(2021)	Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Eligible telecommunications carriers must maintain the documentation required in §§ 54.404 (b)(11), 54.410(b), 54.410 (c), 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years.

CONCLUSION

KPMG evaluated the Beneficiary's compliance with select FCC rules and regulations and orders and related to the Lifeline program, including those set forth in 47 C.F.R. § 54, Subpart E relevant to the reimbursement on Lifeline Claim System submissions made from the Lifeline Program for July 1, 2021 to June 30, 2022. We identified two findings as presented in the Audit Results and Recovery Action section.

**** This concludes the audit report.****