# High Cost & Low Income

# Audit Briefing Book

Monday, July 27, 2026

Available For Public Use

Universal Service Administrative Company

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

*Summary of the High Cost Support Mechanism Beneficiary Audit Reports Released: March 2026.*

| Entity Name | Number of Findings | Significant Findings | Amount of Support | Monetary Effect* | USAC Management Recovery Action* | Entity Disagreement |
|---|---|---|---|---|---|---|
| **Attachment A** Bledsoe Telephone Cooperative Corporation, Inc. | 1 | • No significant findings. | $374,496 | ($19,690) | $0 | N |
| **Attachment B** City of Barnesville | 0 | • Not applicable. | $876,060 | $0 | $0 | N/A |
| **Total** | **1** | | **$1,250,556** | **($19,690)** | **$0** | |

* The Monetary Effect amount may result in negative amounts that appear to be an underpayment. However, USAC's policy is not to issue support in the case of an audit finding (i.e., FCC rule violation) when the calculation results in a net underpayment. In these instances, the USAC Management Recovery Action is $0.

# Attachment A

# HC2025LR008

# Bledsoe Telephone Cooperative Corporation, Inc.

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

USAC Audit No. HC2025LR008

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# EXECUTIVE SUMMARY

November 18, 2025

Charles Boring, CEO
Bledsoe Telephone Cooperative Corporation, Inc.
338 Cumberland Avenue
Pikeville, TN 37367

Dear Mr. Boring:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Bledsoe Telephone Cooperative Corporation, Inc. (Beneficiary), study area code 290554 disbursements for the year ended December 31, 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 disclosed one detailed audit finding (Finding), as discussed in the Audit Result and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period. AAD's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future 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-Gonzalez

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

cc: Michelle Garber, USAC Interim Chief Executive Officer
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## AUDIT RESULT AND RECOVERY ACTION

| Audit Result | Monetary Effect CAF ICC | Recommended Recovery |
|---|---|---|
| **Finding: 47 C.F.R. § 51.917(d) – Inaccurate Intrastate Switched Access Service Revenues** - The Beneficiary incorrectly reported its Intrastate Transitional Access Services revenues on National Exchange Carrier Association's Connect America Fund Intercarrier Compensation True-Up documentation for program year 2023. | ($19,690) | $0 |
| **Total** | **($19,690)** | **$0** |

## USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results for SAC 290554, for the High Cost Program support. The Beneficiary must implement policies and procedures necessary to comply with FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure correct application of its procedures to ensure compliance with FCC Rules and Orders.

| | CAF ICC | Rationale for Difference (if any) from Auditor Recommended Recovery |
|---|---|---|
| Finding #1 | ($19,690) | N/A |
| **Mechanism Total** | **($19,690)** | **N/A** |

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

## PURPOSE, SCOPE AND PROCEDURES

### PURPOSE

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

## SCOPE

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

| High Cost Program Support | Data Period | Disbursement Period | Disbursements Audited |
|---|---|---|---|
| Connect America Fund (CAF) Intercarrier Compensation (ICC) | July 2021 – June 2022 | July 2023 – June 2024 | $374,496 |
| **Total** | | | **$374,496** |

## BACKGROUND

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

## PROCEDURES

AAD performed the following procedures:

**A. High Cost Program Support Amount**
AAD recalculated the support that the Beneficiary received for each High Cost program support component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost program support 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 program support filings consistent with the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

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

**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.

# DETAILED AUDIT FINDING

**FINDING:** 47 C.F.R. § 51.917(d) - Inaccurate Intrastate Switched Access Service Revenues

## CONDITION

AAD obtained and examined documentation, including the Beneficiary's billing reports, general ledger, and CAF ICC High Cost Program filings, to determine whether the Beneficiary accurately reported transitional intrastate access service revenues for High Cost Program reporting purposes per the FCC Rules.[1] Based on AAD's review of the Beneficiary's supporting documentation, the Beneficiary over-reported its intrastate access service revenues for its CAF ICC submission. The difference is summarized below:

| Description | Program Year 2021-2022 |
|---|---|
| Reported Intrastate Revenues to NECA | $90,029 |
| Actual Intrastate Revenues per General Ledger | $70,339 |
| **Difference: Over Reported** | **$19,690** |

FCC Rules describe the necessary calculations for allowable recovery amount for Rate-of-Return Carriers, based on the year. Additionally, if a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.[2] As the Beneficiary's supporting documentation (e.g., billing reports and general ledger) did not agree with the revenue amounts reported, AAD concludes that the Beneficiary did not report accurate revenues for transitional intrastate access service for CAF ICC High Cost Program purposes.

## CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report accurate Intrastate Revenue for High Cost program purposes. The Beneficiary stated they reported Direct Trunk and VOIP Revenues twice.[3]

## EFFECT

AAD calculated the monetary effect for this finding by subtracting the overstated amount from the total amount reported by the Beneficiary in the respective revenue line items on the CAF ICC filing. AAD summarized the results below:

| Support Type | Monetary Effect |
|---|---|
| CAF ICC | **$(19,690**) |

[1] *See* 47 C.F.R. § 51.917(d).

[2] *Id*. at (iii).

[3] Response to the Summary of Exceptions, August 22, 2025.

## RECOMMENDATION

The Beneficiary must ensure it has an adequate system to report accurate data for High-Cost program purposes to demonstrate compliance with the FCC Rules. The Beneficiary must develop and implement policies, procedures, and processes that describe how the Beneficiary collects and retains documentation and establish additional controls to ensure that final revenues reported in its CAF ICC filings reconcile to the general ledger. In addition, the Beneficiary may learn more about the reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

## BENEFICIARY RESPONSE

Bledsoe Telephone Cooperative became aware of our error in reporting intrastate switched access service revenues during the process of providing information for the audit. We were able to determine the difference in our reported revenues compared to the general ledger. We have updated our processes and procedures to ensure that this will be corrected for all reporting in the future.

## CRITERIA

47 C.F.R. § 51.917(d)(v) (2021):

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

47 C.F.R. § 51.917 (b)(6) (2021):

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

**This concludes the report.**

# Attachment B

# HC2025LR007

# City of Barnesville

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

USAC Audit No. HC2025LR007

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# EXECUTIVE SUMMARY

November 12, 2025

Jeremy Cossette
City Administrator
City of Barnesville
102 Front St. N
Barnesville, MN 56514

Dear Mr. Cossette:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of City of Barnesville (Beneficiary), study area code 361353 disbursements for the year ended December 31, 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 Communications Commission (FCC) Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with FCC Rules based on our limited review performance audit.

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

Based on the test work performed, our examination did not disclose any areas of non-compliance with the FCC Rules in effect during the audit period. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future 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
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

Universal Service Administrative Co.

# PURPOSE, SCOPE AND PROCEDURES

## PURPOSE

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

## SCOPE

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

| High Cost Support | Data Period | Disbursement Period | Disbursements Audited |
|---|---|---|---|
| Connect America Fund (CAF) Broadband Loop Support (BLS) | 2022 Calendar Year | July 2023 – June 2024 | $746,256 |
| Connect America Fund (CAF) Intercarrier Compensation (ICC) | July 2021 – June 2022 | July 2023 – June 2024 | $73,764 |
| High Cost Loop (HCL) | 2022 Calendar Year | 2024 Calendar Year | $56,040 |
| **Total** | | | **$876,060** |

## BACKGROUND

The Beneficiary is an average-schedule, eligible telecommunications carrier (ETC) operating in Minnesota.

## PROCEDURES

AAD performed the following procedures:

**A. High Cost Program Support Amount**

AAD recalculated the support that the Beneficiary received for each High Cost program component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost program 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 program data filings consistent with the dates established by FCC Rules (*i.e.,* month or year-end, as appropriate).

**C. Line Count Records**

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

**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.

**E. Exchanges**

AAD obtained and examined general exchange tariffs (if applicable) and other related documentation to determine whether the Beneficiary reported the accurate number of exchanges.

**This concludes the report.**

*Summary of the High Cost Support Mechanism Beneficiary Audit Report Released: May 2026.*

| Entity Name | Number of Findings | Significant Findings | Amount of Support | Monetary Effect | USAC Management Recovery Action | Entity Disagreement |
|---|---|---|---|---|---|---|
| **Attachment C**<br>Union Springs Telephone Company | 2 | • No significant findings. | $785,460 | $14,076 | $14,076 | N |
| **Total** | **2** | | **$785,460** | **$14,076** | **$14,076** | |

# Attachment C

# HC2025LR010

# Union Springs Telephone Company

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

USAC Audit No. HC2025LR010

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Universal Service Administrative Co.

# EXECUTIVE SUMMARY

April 27, 2026

Gregg Logan
Senior Vice President / General Manager
Union Springs Telephone Company
206 Hardaway Avenue
Union Springs, AL 36089

Dear Mr. Logan:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Union Springs Telephone Company (the Beneficiary), study area code (SAC) 250322 disbursements for the year ended December 31, 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, the Federal Communications Commission [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 limited review performance audit.

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

Based on the test work performed, our examination disclosed two detailed audit findings (Findings), as discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future 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
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## AUDIT RESULTS AND RECOVERY ACTION

| Audit Result | Monetary Effect CAF ICC[2] | Recommended Recovery[1] |
|---|---|---|
| **Finding #1: 47 C.F.R § 51.917(f)(2)(5) (2021) – Inaccurate Access Recovery Charge (ARC) Revenues** The Beneficiary inaccurately reported its Consumer Broadband-Only Loop ARC Revenue for the CAF ICC filing for program year 2021. | ($4,533) | $0 |
| **Finding #2: 47 C.F.R. § 51.917(d) - Inaccurate Revenue: Intrastate Switched Access Revenues.** The Beneficiary incorrectly reported its Intrastate Transitional Access Services revenues for CAF ICC filling for program year 2021. | $18,609 | $18,609 |
| **Total** | **$14,076** | **$18,609** |

## USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery from the Beneficiary for SAC 250322, for the High Cost program support in the amount noted in the table below.

The Beneficiary must also implement policies and procedures necessary to comply with the FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure the correct application of its procedures to ensure compliance with the FCC Rules and Orders.

| | CAF ICC | USAC Recovery Action | Rationale for Difference (if any) from Auditor Recommended Recovery |
|---|---|---|---|
| Finding #1 | ($4,533) | ($4,533) | N/A |
| Finding #2 | $18,609 | $18,609 | N/A |
| **Mechanism Total** | **$14,076** | **$14,076** | N/A |

[1] The recovery amount noted in the table is not reflective of prior period or cap adjustments. The actual recovery amount for this final audit report will not exceed the proposed recovery amount.
[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 CAF ICC program year 2021 was disbursed from July 2023 to June 2024 (based on true-up data submitted in June 2023). Therefore, the monetary effect of this Finding accounts for six months of the true-up payment attributable to the period January to June 2022 and six months of the true-up payment attributable to the period July to December 2021.

# PURPOSE, SCOPE AND PROCEDURES

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

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

| High Cost Support | Data Period | Disbursement Period | Disbursements Audited |
|---|---|---|---|
| Connect America Fund (CAF) Intercarrier Compensation (ICC) | July 2021 – June 2022 | July 2023 – June 2024 | $785,460 |
| **Total** | | | **$785,460** |

## BACKGROUND
The Beneficiary is a cost company eligible telecommunications carrier (ETC) that operates in Alabama. The Beneficiary fosters connectivity by providing high-speed internet, telephone, and cable television services to residential and business clients.

## PROCEDURES
AAD performed the following procedures:

**A. High Cost Program Support Amount**
AAD recalculated the support that the Beneficiary received for each High Cost program component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost program 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 program data filings consistent with the dates established by FCC Rules (i.e., month-end or year-end, as appropriate).

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

**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.

# DETAILED AUDIT FINDINGS

## FINDING #1: 47 C.F.R § 51.917(f) (5) (2021) – Inaccurate Access Recovery Charge - Consumer Broadband-Only Loop Revenues

### CONDITION

AAD obtained and examined the Beneficiary's documentation to determine whether the Beneficiary reported accurate maximum Access Recovery Charge (ARC) revenues for High Cost program purposes.[3] AAD determined that the Beneficiary reported actual Consumer Broadband-Only Loop (CBOL) ARC revenue for the true-up calculation of the CAF ICC program year 2021,[4] but did not report a CBOL limit for program year 2021. See the table below for the analysis performed:

| Intrastate Access Revenue Amounts for Program Year 2021 | Amount |
|---|---|
| Reported ARC revenue true-up for 2015/2016 (A) | $64,612 |
| Imputed Beneficiary ARC Revenues (line counts * reported ARC rate for each exchange) (B) | $62,331 |
| Calculated CBOL Limit (C) = (A) – (B) | $2,281 |
| Reported CBOL ARC Revenue for Program Year 2021 (D) | $6,811 |
| Overstated CBOL ARC Revenue (E) = (D) – (C) | $4,533 |

As the Beneficiary is allowed to report CBOL ARC revenue up to the CBOL limit,[5] AAD identified that the Beneficiary overstated the CBOL ARC Revenue for its CAF ICC filing by $4,533 ($6,814 - $2,281).

### CAUSE

The Beneficiary did not have an adequate understanding of, or a system in place for, collecting, reporting, and monitoring data to ensure accurate reporting of its CBOL ARC revenues. In this regard, the Beneficiary did not factor the CBOL limit into its ARC calculation.[6]

### EFFECT

AAD calculated the monetary impact of this finding by subtracting the overstated amount from the CBOL ARC amount reported by the Beneficiary on its High Cost program filing. The resulting change in disbursements was then compared to the original disbursements made from the High Cost program for the twelve-month period ending June 30, 2024. The results are summarized below:

| Support Type | Monetary Effect |
|---|---|
| CAF ICC | ($4,533) |

[3] See 47 C.F.R. § 51.917(f)(2) (2021).
[4] See 47 C.F.R. § 51.917(f)(5)(2021). This FCC Rule became effective July 1, 2018, and the Beneficiary was subject to the maximum CBOL limit conditions provided.
[5] See 47 C.F.R. § 51.917(f)(5)(ii) (2021).
[6] See Beneficiary's response to CAMP task #HC2025LR010_7, received on December 11, 2025.

### RECOMMENDATION

The Beneficiary must ensure that it has an adequate system in place to report data for CAF ICC purposes. Specifically, the Beneficiary must update its policies and procedures to ensure compliance with FCC Rules, and implement and conduct a thorough, timely review process to reconcile revenues before they are reported for High Cost program purposes. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

### BENEFICIARY RESPONSE

We agree to USAC's findings regarding this audit.

## **FINDING #2:** 47 C.F.R. § 51.917(d)(iii) Inaccurate Revenue: Transitional Intrastate Access Revenues

### CONDITION

AAD obtained and examined documentation, including the Beneficiary's billing reports, general ledger, and CAF ICC High Cost program filings, to determine whether the Beneficiary accurately reported transitional intrastate access service revenues for High Cost program reporting purposes per FCC Rules.[7] AAD determined that the Beneficiary did not report accurate transitional intrastate access service revenues for CAF ICC purposes.

| **Transitional Intrastate Access Revenue Amounts for Program Year 2021** | **Amount** |
|---|---|
| Amount supported by Beneficiary's Carrier Access Billing System Report (A) | $18,621 |
| Reported per NECA 24 Month View (true-up amount) (B) | $12 |
| Understated Intrastate Access Revenue Amount (A) – (B) | $18,609 |

Using the Beneficiary's provided Carrier Access Billing System Report as the primary source for transitional intrastate access service revenue, the transitional intrastate access service revenue was underreported by $18,609 for program year 2021.

The Beneficiary's supporting documentation (*e.g.*, billing reports and general ledger) did not agree with the revenue amounts identified in the documentation. As the documentation also did not agree with the reported amount, AAD concludes that the Beneficiary did not report accurate revenues for the transitional intrastate access service for CAF ICC High Cost program purposes.

### CAUSE

The Beneficiary did not have an adequate system in place to collect, report, or monitor data to accurately report revenue amounts for High Cost program purposes. The Beneficiary explained that it only reported

[7] *See* 47 C.F.R. § 51.917(d).

terminating traffic and was not aware that all intrastate access revenues were required to be reported for CAF ICC purposes.[8]

## EFFECT

AAD calculated the monetary impact of this finding by adding the understated amount to the transitional intrastate access revenue reported by the Beneficiary in its High Cost program filing. The resulting change in disbursements was then compared to the original disbursements made from the High Cost program for the twelve-month period ending June 30, 2024. The results are summarized below:

| Support Type | Monetary Effect |
|---|---|
| CAF ICC | $18,609 |

## RECOMMENDATION

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

The Beneficiary must ensure that it has an adequate system in place to report data for CAF ICC purposes. Specifically, the Beneficiary must update its policies and procedures to ensure that all of its transitional intrastate access revenue is included in its calculations and filings, and it must implement and conduct a thorough, timely review process to reconcile revenues before reporting for High Cost program purposes. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC's website at https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/.

## BENEFICIARY RESPONSE

We agree to USAC's findings regarding this audit

[8] See Beneficiary's response to CAMP task #HC2025LR010_7, received on December 11, 2025.

# CRITERIA

| Finding | Criteria | Description |
|---|---|---|
| #1 | 47 C.F.R. § 51.917(f)(5)(2021) | Notwithstanding paragraph (f)(4) of this section, commencing July 1, 2018 and ending June 30, 2023, the maximum total dollar amount a carrier must impute on supported consumer broadband-only loops is limited as follows:<br><br>(i) For the affected tariff year, the carrier shall compare the amounts in paragraphs (f)(5)(i)(A) and (B) of this section.<br><br>(A) The sum of the revenues from projected Access Recovery Charges assessed pursuant to paragraph (e) of this section, any amounts imputed pursuant to paragraph (f)(2) of this section, and any imputation pursuant to paragraph (f)(4) of this section.<br><br>(B) The sum of the revenues from Access Recovery Charges assessed pursuant to paragraph (e) of this section and any amounts imputed pursuant to paragraph (f)(2) of this section for tariff year 2015-16, after being trued-up.<br><br>(ii) If the amount determined in paragraph (f)(5)(i)(A) of this section is greater than the amount determined in paragraph (f)(5)(i)(B), the sum of the revenues from projected Access Recovery Charges assessed pursuant to paragraph (e) of this section and any amounts imputed pursuant to paragraph (f)(2) of this section for the affected year must be compared to the amount determined in paragraph (f)(5)(ii)(B) of this section.<br><br>(A) If the former amount is greater than the latter amount, no imputation is made on Consumer Broadband-Only Loops.<br><br>(B) If the former amount is equal to or less than the latter amount, the imputation on Consumer Broadband-Only Loops is limited to the difference between the two amounts. |
| #2 | 47 C.F.R. § 51.917(d)(iii) | If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year…<br><br>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:<br><br>(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 |

| Finding | Criteria | Description |
| --- | --- | --- |
| | | 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;<br><br>(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<br><br>(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.<br><br>(D) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2012 multiplied by negative one. |

**This concludes the report.**

*Summary of the Low Income Support Mechanism Beneficiary Audit Report Released: April 2026.*

| **Entity Name** | **Number of Findings** | **Significant Findings** | **Amount of Support** | **Monetary Effect** | **USAC Management Recovery Action** | **Entity Disagreement** |
|---|---|---|---|---|---|---|
| **Attachment A**<br>Mescalero Apache Telecom, Inc. | 1 | • **47 C.F.R. § 54.407(b) – Failure to Pass through Full Lifeline Support:** The Beneficiary passed through a monthly Lifeline credit to each subscriber that was less than the amount claimed from USAC. | $212,259 | $71,858 | $71,858 | Partial |
| **Total** | **1** | | **$212,259** | **$71,858** | **$71,858** | |

# Attachment A

# LI2023LR006

# Mescalero Apache Telecom, Inc.

## *Audit ID: LI2023LR006*

*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: April 14, 2026

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

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KPMG LLP
Suite 900
8350 Broad Street
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## EXECUTIVE SUMMARY

April 14, 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 Mescalero Apache Telecom, Inc. ("Beneficiary") for Study Area Code ("SAC") 491231, 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 April 3, 2023, to April 14, 2026, and our results are as of April 14, 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 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'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 April 14, 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 |
|---|---|
| **LI2023LR006-F01: 47 C.F.R. § 54.407(b) - Failure to Pass Through Full Lifeline Support:** The Beneficiary passed through a monthly Lifeline credit to each subscriber that was less than the amount claimed from USAC. | $71,858 |
| **Total Monetary Effect** | **$71,858** |

## 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 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, located in Mescalero, New Mexico, provides wireline telephone and internet services and operates only in New Mexico. 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 |
|---|---|---|---|---|
| 491231 | New Mexico | Tribal Lifeline | 6,996 | $212,259 |
| **TOTAL** | | | **6,996** | **$212,259** |

## 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, or for tribal subscribers, outside the designated tribal 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 billing system reports to demonstrate that the Beneficiary passed through Lifeline program support to the Lifeline subscriber population, 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 30 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.

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.

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 the only enrollment representative and direct supervisor 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 finding or recommendation noted.

## FINDINGS, RECOMMENDATIONS AND BENEFICIARY RESPONSES

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

### LI2023LR006-F01: 47 C.F.R. § 54.407(b) - Failure to Pass Through Full Lifeline Support

#### CONDITION

For the Beneficiary's SAC 491231, KPMG selected a statistically valid sample of 30 out of 618 subscribers. We requested three months of bills for each sampled subscriber and reviewed the bills to evaluate whether the Beneficiary passed the Lifeline benefit claimed in LCS through to the subscriber via a credit on the bill.[1] For all 30 samples, KPMG observed that the Beneficiary passed through less than the amount claimed in LCS for each sample.[2] As a result, and upon USAC approval, KPMG expanded our scope to compare the amounts claimed in LCS each month to the monthly amounts passed through via credit in the billing register for the entire subscriber population during the audit period. KPMG observed that the Beneficiary passed through less than the amount claimed in LCS for 618 out of 618 subscribers.

#### CAUSE

The Beneficiary did not have an adequate process in place to verify that LCS claim amounts did not exceed the credits being passed through to subscribers each month.

#### EFFECT

KPMG calculated the monetary effect for this finding by determining the number of instances (months) each of the 618 subscribers claimed for reimbursement, during the audit period. KPMG identified a total of 6,995 such instances. KPMG multiplied the 6,995 instances by the difference between the support amount requested in the LCS submissions and the support amount passed through to each subscriber and rounded to the nearest whole dollar. The results are summarized below:

| SAC | Support Type | Instances (A) | Variance (B) (LCS Claim – Bill Credit) | Monetary Effect Total (C) = (A) * (B) |
|---|---|---|---|---|
| 491231 | Tribal Lifeline | 3840 | $10.25 | $39,360 |
| 491231 | Tribal Lifeline | 2820 | $9.25 | $26,085 |
| 491231 | Tribal Lifeline | 110 | $30.25 | $3,328 |
| 491231 | Tribal Lifeline | 67 | $14.25 | $955 |

[1] 47 C.F.R. § 54.403(a)(1) (2021).

[2] 47 C.F.R. § 54.407(b) (2021).

| SAC | Support Type | Instances (A) | Variance (B) (LCS Claim – Bill Credit) | Monetary Effect Total (C) = (A) * (B) |
|---|---|---|---|---|
| 491231 | Tribal Lifeline | 50 | $13.25 | $663 |
| 491231 | Tribal Lifeline | 42 | $12.25 | $515 |
| 491231 | Tribal Lifeline | 37 | $11.25 | $416 |
| 491231 | Tribal Lifeline | 3 | $21.58 | $65 |
| 491231 | Tribal Lifeline | 2 | $17.58 | $35 |
| 491231 | Tribal Lifeline | 1 | $34.25 | $34 |
| 491231 | Tribal Lifeline | 2 | $16.94 | $34 |
| 491231 | Tribal Lifeline | 2 | $16.24 | $32 |
| 491231 | Tribal Lifeline | 1 | $28.85 | $29 |
| 491231 | Tribal Lifeline | 1 | $26.05 | $26 |
| 491231 | Tribal Lifeline | 1 | $25.58 | $26 |
| 491231 | Tribal Lifeline | 1 | $23.94 | $24 |
| 491231 | Tribal Lifeline | 1 | $22.56 | $23 |
| 491231 | Tribal Lifeline | 1 | $21.17 | $21 |
| 491231 | Tribal Lifeline | 1 | $21.14 | $21 |
| 491231 | Tribal Lifeline | 1 | $20.26 | $20 |
| 491231 | Tribal Lifeline | 1 | $19.74 | $20 |
| 491231 | Tribal Lifeline | 1 | $18.92 | $19 |
| 491231 | Tribal Lifeline | 1 | $18.25 | $18 |
| 491231 | Tribal Lifeline | 1 | $14.85 | $15 |
| 491231 | Tribal Lifeline | 1 | $14.16 | $14 |
| 491231 | Tribal Lifeline | 1 | $12.24 | $12 |
| 491231 | Tribal Lifeline | 1 | $12.05 | $12 |
| 491231 | Tribal Lifeline | 1 | $11.34 | $11 |
| 491231 | Tribal Lifeline | 1 | $10.92 | $11 |
| 491231 | Tribal Lifeline | 1 | $10.65 | $11 |
| 491231 | Tribal Lifeline | 1 | $4.24 | $4 |
| **TOTAL** | | 6,995 | | $71,859 |

*Rounding by SAC by Support Type by Variance Amount may cause the total to vary slightly from the total for this finding noted in the Audit Results and Recovery Action section.

## RECOMMENDATION

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

The Beneficiary must enhance controls and procedures related to review of monthly Lifeline subscriber claim amounts to verify claim amounts do not exceed the credit amounts being passed through to subscribers. 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

We acknowledge KPMG's findings regarding the Lifeline credit pass-through for SAC 491231, including the observation that the credits passed through to subscribers were less than the amounts claimed in the Lifeline Claims System (LCS).

We recognize that our existing processes at the time of the audit did not adequately verify that the Lifeline claim amounts submitted in LCS matched the credits passed through to subscribers each month. Several factors contributed to this gap in controls, including significant changes in the Lifeline program, such as the implementation of the National Verifier system, and the operational challenges posed by the COVID-19 pandemic. Additionally, as a small rural company, MATI's staff often wear multiple hats, making it particularly challenging to keep pace with the frequent and complex Lifeline program changes.

We respectfully disagree with the monetary amount identified in the finding. The calculation appears to have improperly excluded the New Mexico (NM) USF Lifeline credits that were passed through to end users. Under Lifeline program rules, federal Lifeline credits must be applied first, and only after these federal credits are fully utilized should the NM USF credits be applied. Therefore, the NM USF Lifeline credits reflected on subscriber bills should be included as part of the total Lifeline support passed through. Excluding these state-level credits from the calculation results in an overstatement of the discrepancy on the federal side. Correcting this treatment would materially reduce the amount reported in the finding.

Since the audit period, we have taken significant steps to enhance our internal controls and procedures to ensure full alignment between Lifeline claims and subscriber credits. These steps include:

- Implementing a formal monthly reconciliation process between LCS claim amounts and billing credits passed to subscribers.
- Enhancing staff training on Lifeline program requirements and USAC reporting guidelines.
- Utilizing updated tools and system reports to monitor Lifeline credit pass-throughs more effectively.
- Regularly reviewing USAC's resources and guidance, including the recommended website, to stay current on compliance requirements.

We are committed to maintaining compliance with FCC and USAC regulations and ensuring that Lifeline benefits passed through to subscribers accurately reflect the amounts claimed.

## KPMG RESPONSE

KPMG notes the Beneficiary agrees with the condition but disagrees with the effect. FCC Rules require that the Beneficiary pass through the full amount of support to the qualifying low-income consumer. Separate state lifeline credits may be applied to customer bills, but they should not reduce or offset the total amount of Federal Lifeline support that the Beneficiary must pass through to the customer. As such, we did not revise this finding effect and recommendation.

## CRITERIA

| Finding | Criteria | Description |
|---|---|---|
| #1 | 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." |
| #1 | 47 C.F.R § 54.403(a)(1) (2021) | "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." |

## 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 one finding as presented in the Audit Results and Recovery Action section.

** This concludes the audit report.**