

Attachment A
SL2016LR002



North Carolina Office of Information Technology Services

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2016LR002

TABLE OF CONTENTS

Executive Summary 1

Purpose, Scope, Background and Procedures 3



EXECUTIVE SUMMARY

February 7, 2020

Trevor Minor, Chief Financial Officer
North Carolina Department of Information Technology (f/k/a Office of Information Technology Services)
PO Box 17209
Raleigh, NC 27619

Dear Mr. Minor:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of North Carolina Office of Information Technology Services (Service Provider), Service Provider Identification Number (SPIN) 143004930, for Funding Year 2015, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Service Provider's management. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the Rules based on the 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 (2011 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 type and amount of services provided by the Service Provider to Schools and Libraries Program applicants in the state of North Carolina (selected Beneficiaries), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider's compliance with the Rules. 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 Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Service Provider, and the Federal Communications Commission (FCC) and should not be used by those who have not agreed to the procedures and taken

responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

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

Sincerely,



FOR Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Craig Davis, USAC Vice President, Schools and Libraries Division

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

The purpose of the audit was to determine whether the Service Provider complied with the Rules.

SCOPE

The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Service Provider for Funding Year 2015 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$36,549	\$0
Managed Internal Broadband Services	\$5,171	\$0
Internet Access	\$12,427,216	\$1,348,822
Total	\$12,468,936	\$1,348,822

Note: The amounts committed and disbursed reflect funding year activity as of the date of the commencement of the audit.

The committed total represents 12 FCC Form 471 applications with 22 Funding Request Numbers (FRNs). AAD selected five FRNs,¹ which represent \$12,089,848 of the funds committed and \$1,023,544 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2015 applications submitted by the selected Beneficiaries.

BACKGROUND

The Service Provider is a government agency that provides information technology services to state agencies, local governments, and educational institutions across North Carolina and its headquarters are located in Raleigh, North Carolina.

PROCEDURES

AAD performed the following procedures:

A. Competitive Bid Process

AAD used inquiry and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected Beneficiaries' competitive bidding process. AAD reviewed the Service Provider's contracts (if applicable) with the selected Beneficiaries to determine whether the contracts were properly executed. AAD evaluated the equipment and services requested and purchased to determine whether the Service Provider provided the equipment and services requested in the selected Beneficiaries' FCC Form 471. AAD also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar services to non-residential customers similarly situated to the selected Beneficiaries.

¹ The FRNs included in the scope of this audit were: 2723564, 2784646, 2800326, 2800370, and 2835351.

B. Billing Process

AAD reviewed the FCC Form 472 Billed Entity Applicant Reimbursements (BEAR) and FCC Form 474 Service Provider Invoices (SPIs) for which payment was disbursed by USAC to determine whether the services identified on the BEAR and SPIs, and corresponding service provider bills, were consistent with the terms and specifications of the Service Provider's contracts and eligible in accordance with the Schools and Libraries Program Eligible Services List. AAD also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged for similar services to non-residential customers similarly situated to the selected Beneficiaries. In addition, AAD examined documentation to determine whether the Service Provider billed the selected Beneficiaries for the non-discounted portion of eligible services purchased with universal service discounts and did not provide rebates, including free services or products.

C. Reimbursement Process

AAD obtained and examined the BEAR and SPIs submitted for reimbursement for the services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed service provider bills associated with the BEAR and SPIs for services provided to the selected Beneficiaries. AAD determined whether the Service Provider issued credits on the service provider bills to the selected Beneficiaries or whether the Service Provider remitted a check to the selected Beneficiaries within 20 days after receipt of the reimbursement payment from USAC.

Attachment B

SL2019BE052

Available for Public Use



*Lower Yukon School District
Audit ID: SL2019BE052
(BEN: 145592)*

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2017 as of 9/30/2019*

Prepared for: Universal Service Administrative Company

As of Date: April 2, 2020

KPMG LLP
8350 Broad Street
Suite 900
McLean, VA 22102

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES..... 5

 Background..... 5

 Program Overview..... 5

 Beneficiary Overview 5

 Objectives 6

 Scope..... 6

 Procedures..... 7

RESULTS 8

 Findings, Recommendations and Beneficiary Responses..... 8

 Conclusion 8



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

April 2, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Lower Yukon School District, Billed Entity Number (“BEN”) 145592, (“LYSD” or “Beneficiary”) for disbursements of \$5,857,480 and commitments of \$5,919,976, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of September 30, 2019 (hereinafter “Funding Year 2017”). Our work was performed during the period from October 23, 2019 to April 2, 2020, and our results are as of April 2, 2020.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

The audit objective of our work was to evaluate the Beneficiary’s compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program (“E-rate Program”) set forth in 47 C.F.R. Part 54 of the Federal Communications Commission’s (“FCC”) Rules as well as other program requirements (collectively, the “Rules”) that determined the Beneficiary’s eligibility and resulted in commitments of \$5,919,976 and disbursements of \$5,857,480 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary’s management. Our responsibility is to evaluate the Beneficiary’s compliance with the Rules based on our audit.

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.

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

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.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
AK	Alaska
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of September 30, 2019)
LYSD	Lower Yukon School District
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

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

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$5,919,976 and disbursements of \$5,857,480 made for Funding Year 2017.

Beneficiary Overview

The Lower Yukon School District (BEN# 145592) is a school district located in Western Alaska that is spread across 22,000 square miles. It is headquartered in Mountain Village, AK and serves over 2,000 students in ten villages.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$5,885,892	\$5,828,271
Voice Services	\$ 34,084	\$29,209
Total	\$5,919,976	\$5,857,480

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of September 30, 2019.

The committed total represents 2 FCC Form 471 applications with 3 FRNs. We selected all 3 FRNs, which represent \$5,919,976 or 100% of the funds committed and \$5,857,480 or 100% of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$5,919,976 and disbursements of \$5,857,480 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

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

1. Planning and Assessment
2. Application Process
3. Competitive Bid Process
4. Calculation of the Discount Percentage
5. Invoicing Process
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected three FRNs in scope for this audit.

2. Application Process

We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

5. Invoicing Process

For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

6. Reimbursement Process

For the FRNs audited, we obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the SPI and BEAR forms for services provided to the Beneficiary. We verified that the services claimed on the SPI and BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

7. Record Keeping

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. Final Risk Assessment

Based on the performance of the above audit procedures for the sampled FRNs, we considered any non-compliance detected during the audit and its effect on the FRN excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRN. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit procedures identified no findings.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified no findings.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified no findings relative to Funding Year 2017 commitments and disbursements made from the E-rate Program for the audit period.

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: June 3, 2020

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Torat Hayim Hebrew Academy Attachment C	2	<ul style="list-style-type: none"> • <u>Failure to Comply with CIPA Requirements – Technology Protection Measure (TPM) Was Not in Place During the Entire Funding Year.</u> The Beneficiary did not provide sufficient documentation to support that a TPM was in place during the entire funding year. 	\$454	\$68,916	\$9,699	\$68,916	N
Chabad of Southern Nevada DBA Desert Torah Academy Attachment D	1	<ul style="list-style-type: none"> • <u>Inadequate Discount Calculation Process - Documentation Did Not Match Amounts Reported on the FCC Form 471.</u> The Beneficiary’s FCC Form 471 overstated the number of students enrolled and NSLP eligible students, which resulted in a higher NSLP eligibility percent than the actual number based on evidence obtained and examined by AAD. 	\$72,157	\$8,678	\$8,678	\$8,700	N

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Al-Rasheed Academy Attachment E	3	<ul style="list-style-type: none"> <li data-bbox="527 347 968 776">• <u>Lack of Documentation-Beneficiary Did Not Demonstrate It Conducted a Fair and Open Competitive Bidding Process and Selected a Cost-Effective Service Provider.</u> The Beneficiary verbally informed AAD that the Beneficiary conducted a competitive bidding process, but did not maintain the documentation. <li data-bbox="527 781 968 1263">• <u>Inadequate Documentation-Beneficiary Did Not Demonstrate a Technology Protection Measure (TPM) Was Installed and in Use During the Funding Year.</u> The Beneficiary's documentation did not include the date the TPM was purchased and installed to demonstrate the Beneficiary had a TPM installed and in use during the Funding Year 2017. 	\$0	\$170,644	\$19,159	\$80,944	N
St. Joseph County Schools Information Services Attachment F	0	<ul style="list-style-type: none"> <li data-bbox="527 1282 968 1312">• Not Applicable. 	\$271,470	\$0	\$0	\$0	N

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Brevard County School District Attachment G	1	<ul style="list-style-type: none"> No significant findings. 	\$4,030,312	\$513	\$513	\$0	N
Total	7		\$4,374,393	\$248,751	\$38,049	\$158,560	

* The Monetary Effect amount represents the actual dollar effect of the finding(s) without taking into account any overlapping exceptions between findings. Thus, the total Monetary Effect may exceed the Amount of Support that was disbursed to the Beneficiary.

Attachment C

SL2017LR009

Torat Hayim Hebrew Academy

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2017LR009

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Commitment Adjustment/Recovery Action 3

USAC Management Response 4

Purpose, Scope, Background and Procedures 5

Detailed Audit Findings 7

Finding #1: 47 C.F.R. § 54.520(c)(1)(i) (2015) – Failure to Comply with CIPA
 Requirements – TPM Was Not in Place During the Entire Funding Year7

Finding #2: 47 C.F.R. § 54.511(a) – Inadequate Competitive Bidding Evaluation8

Criteria..... 12



Available for Public Use

EXECUTIVE SUMMARY

January 15, 2020

Rabbi David Zargari, Founder
Torat Hayim Hebrew Academy
1210 S. Lacienea Blvd
Los Angeles, CA 90035

Dear Rabbi Zargari:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Torat Hayim Hebrew Academy (Beneficiary), Billed Entity Number (BEN) 197806, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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 competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

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

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

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

Sincerely,


Teleshia Delmar

USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.520(c)(1)(i) – Failure to Comply with CIPA Requirements – TPM Was Not in Place During the Entire Funding Year. The Beneficiary did not provide sufficient documentation to support that a TPM was in place during the entire funding year.	\$64,838	\$8,625	\$64,838
Finding #2: 47 C.F.R. § 54.511(a) – Inadequate Competitive Bidding Evaluation. The Beneficiary did not consider price as the primary factor during their bid evaluation process.	\$4,078	\$1,074	\$4,078
Total Net Monetary Effect	\$68,916	\$9,699	\$68,916

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. If there are other FRNs under the scope of the findings there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/competitive-bidding/>
- <https://www.usac.org/video/sl/10-comp-bidding/index.html>
- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>

USAC recommends the Beneficiary subscribe to Schools and Libraries weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (<https://www.usac.org/e-rate/resources/news-brief/>).

FRN	Recovery Amount	Commitment Adjustment Amount
1699059465	\$8,625	\$32,295
1699059467	\$0	\$32,543
1699028317	\$1,074	\$4,078
Total	\$9,699	\$68,916

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Managed Internal Broadband Services	\$3,634	\$0
Internet Access	\$96,664	\$0
Voice	\$17,602	\$454
Total	\$117,900	\$454¹

Note: The amounts committed and disbursed reflect funding year activity as of the commencement of the audit.

The committed total represents four FCC Form 471 applications with five Funding Request Numbers (FRNs). AAD selected all five FRNs², which represent \$116,279 of the funds committed and \$454 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a private school located in Los Angeles, California that serves over 215 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the Rules. AAD used inquiry and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. AAD also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

¹ Subsequent to the date of the commencement of the audit, additional funds were disbursed to the Beneficiary for the internet access and voice services. As of the date of this report, the total amount disbursed is \$51,813.

² The FRNs included in the scope of this audit were: 1699028306, 1699028317, 1699059465, 1699059467, and 1699126093.

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, AAD obtained and evaluated the Beneficiary's Internet Safety Policy. AAD obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether all bids received were properly evaluated and price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers. AAD evaluated the services requested and purchased for cost effectiveness as well.

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Beneficiary Location

AAD used inquiry to determine whether the services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. AAD also evaluated the services purchased by the Beneficiary for cost effectiveness to determine whether funding was used in an effective manner.

E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR and SPI forms for services provided to the Beneficiary. AAD verified that the services identified on the BEAR and SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.520(c)(1)(i) – Failure to Comply with CIPA Requirements – TPM Was Not in Place During the Entire Funding Year

CONDITION

AAD examined documentation to determine whether the Beneficiary was in compliance with the Children’s Internet Protection Act (CIPA) requirements of having a technology protection measure (TPM) in place during the funding year for FRNs 1699059465 and 1699059467. The Beneficiary provided two invoices, dated April 8, 2016 and March 8, 2017, from Network Experts Inc., to demonstrate that it purchased the TPM, Sonicwall, which enables the Beneficiary to block inappropriate websites and monitor online activity. However, the Beneficiary only provided proof of payment made to Network Experts, Inc. for the March 8, 2017 invoice, which shows that the TPM was purchased for a two-year period ending on March 8, 2019. AAD inquired about the proof of payment made for the April 8, 2016 invoice or other documentation to support that the TPM was in place from July 1, 2016 – March 7, 2017 (249 days) but did not receive a response. AAD is required to conduct audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),³ which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.⁴ Because the Beneficiary did not provide sufficient documentation to support that a TPM was in place during the entire funding year, AAD cannot conclude that the Beneficiary had a TPM in place during the entire funding year.⁵ Therefore, the Internet access and internal connections services received during this time were ineligible for SLP support.⁶

For the Internet access FRN 1699059465, the Beneficiary requested and SLP approved and committed funds totaling \$47,340. The amount of funds committed by SLP for ineligible Internet access services totaled \$32,295 ($\$47,340 * (249 \text{ days that the TPM was not in place} / 365 \text{ days of services})$). For the Internet access FRN 1699059467, the Beneficiary requested and SLP approved and committed funds totaling \$47,704. The amount of funds committed by SLP for ineligible Internet access services totaled \$32,543 ($\$47,704 * (249 \text{ days that the TPM was not in place} / 365 \text{ days in the Funding Year})$). Thus, the total discounted cost of Internet access services received by the Beneficiary when a TPM was not in place during the Funding Year was \$64,838 ($\$32,295 + \$32,543$).⁷

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure compliance with the CIPA requirements.

³ 47 C.F.R § 54.702(n) (2015).

⁴ See U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) (“Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.”).

⁵ *In the Matter of Federal-State Joint Board on Universal Service Children’s Internet Protection Act*, CC Docket No. 96-45, Report and Order, FCC 01-120, 16 FCC Rcd 8182, para 1, 6 (2001).

⁶ *Id.* at para. 6.

⁷ 47 C.F.R. § 54.520(e)(1) (2015).

EFFECT

The monetary effect of this finding is \$64,838. This amount represents the portion of funds committed for FRNs 1699059465 and 1699059467 for ineligible Internet access services. Subsequent to the commencement of the audit, SLP disbursed funds to the Beneficiary as follows:

Recalculation of the Disbursement Amounts					
			Original	Recalculated	Recovery
FRN	Year	Service Type	Disbursed Amount	Adjusted Committed value	Original amount greater than (>) Recalculated Amount
1699059465	2016	Internet Access	\$23,670	\$15,045 [<i>\$47,340-\$32,295</i>]	\$8,625
1699059467	2016	Internet Access	\$11,925	\$15,161 [<i>\$47,704-\$32,543</i>]	N/A
Total Recovery Amount					\$8,625

RECOMMENDATION

AAD recommends USAC management seek recovery of \$8,625. This amount represents the portion of funds disbursed for Internet access services requested and received during the Funding Year when a TPM was not in place for FRNs 1699059465. In addition, AAD recommends USAC management issue a downward commitment adjustment of \$64,838 for FRNs 1699059465 and 1699059467. The Beneficiary must implement controls and procedures to ensure that there is a TPM in place throughout the entire Funding Year. In addition, the Beneficiary must implement controls and procedures to ensure that SLP is only invoiced for eligible services.

BENEFICIARY RESPONSE

AAD contacted and provided the Beneficiary the Detailed Audit findings on December 20, 2019. AAD conducted an exit conference with the Beneficiary on January 15, 2020. As of February 27, 2020, AAD did not receive a response that specifically addressed the findings above from Torat Hayim Hebrew Academy.⁸

Finding #2: 47 C.F.R. § 54.511(a) – Inadequate Competitive Bidding Evaluation

CONDITION

AAD obtained and examined documentation, including the service provider bid in response to the services requested by the Beneficiary and the Beneficiary's bid evaluation matrices, to determine whether the Beneficiary carefully considered all bids and selected the most cost-effective offering using price of the

⁸ AAD notes that on January 10, 2020, in response to the summary of exception, Richard Bernstein (Beneficiary consultant) emailed responses to AAD, indicated that the root cause of this finding was "lack of discrete e-rate documentation filing" and he also stated what will prevent the issue from occurring in the future would be "A TPM Log will be generated quarterly and a file for payments will be maintained."

eligible goods and services as the primary factor for FRN 1699028317. The Beneficiary received and evaluated a bid submitted by Sprint and compared Sprint’s bid to the services and the costs of the services that were being offered by its pre-existing service provider, Verizon Wireless. AAD determined that the Beneficiary did not consider price as the primary factor as the Beneficiary included the ineligible costs of purchasing new cellular telephones within the price criterion.

AAD examined the Beneficiary’s bid evaluation matrices and determined that the Beneficiary’s selection criteria included (1) price/charges, (2) prior experience, (3) fit with request, (4) number of employees, (5) multi-year contracts, (6) voluntary extensions, and (7) composite vendors. The Beneficiary scored the bids as follows, with the highest score representing the best score:

		Verizon		Sprint	
	Total Eligible Cost Per Bid	\$16,800		\$10,620	
Selection Criteria	Weight	Raw Score	Weighted Score	Raw Score	Weighted Score
Prices/Charges	30%	5	1.5	4	1.2
Prior Experience	25%	5	1.25	1	0.25
Fit With Request	25%	5	1.25	5	1.25
Number of Employees	5%	5	0.25	5	0.25
Multi-Year Contracts	5%	1	0.05	1	0.05
Voluntary Extensions	5%	1	0.05	1	0.05
Composite Vendors	5%	1	0.05	1	0.05
Total	100%	23	4.4	18	3.1

In the Beneficiary’s evaluation matrices, price appears to be the primary factor (price being assigned a weight of 30 percent, while the other factors were assigned a weight of 25 or 5 percent). However, Sprint’s costs of \$10,620 were lower than Verizon’s costs of \$16,800; and yet, the Beneficiary awarded Verizon a superior score in the price criterion even though Verizon’s offering was not the lowest cost offering. When the Beneficiary awarded points within the price criterion for each service provider, it considered the additional cost of

purchasing new cellular telephones if the Beneficiary selected Sprint to be its service provider.⁹ While the Beneficiary may take other factors into consideration during its bid evaluation, the Beneficiary must use the price of eligible services as the primary factor.¹⁰ In this case, the Beneficiary considered the additional costs of purchasing new cellular telephones within the price criterion instead of using only the price of the eligible services within the price criterion.

Further, the Beneficiary must evaluate the actual dollar amount proposed by a bidder.¹¹ Because the Beneficiary considered the additional costs of purchasing ineligible items (new cellular telephones) within the price criterion instead of evaluating the actual price of the eligible services within the price criterion, AAD cannot conclude that the Beneficiary conducted an adequate competitive bidding evaluation.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules regarding the competitive bidding process and selecting the most cost-effective service offering using price of the eligible goods and services as the primary factor. The Beneficiary did not review the Rules in detail, including the relevant Rules that provided clarification on the competitive bidding requirements and selecting the most cost-effective service offering using price of the eligible goods and services as the primary factor.

EFFECT

The monetary effect of this Finding is \$4,078. This amount represents the total funds committed by SLP for FRN 1699028317.

RECOMMENDATION

AAD recommends USAC management seek recovery of \$1,074. This amount represents the total amount disbursed for FRN 1699028317. AAD also recommends USAC management issue a downward commitment adjustment to \$0 for FRN 1699028317. The Beneficiary must implement controls and procedures to ensure it carefully considers all bids and selects the most cost-effective service offering using price of eligible goods and services as the primary factor considered. The Beneficiary must not include the additional costs of purchasing cellular telephones or other non-price factors within the price criterion and instead use other criterion in its bid evaluation for this consideration. AAD also recommends the Beneficiary examine the Rules to familiarize itself with the Rules governing the competitive bidding process and selecting the most cost-effective service offering.

⁹ See Beneficiary's *E-rate Bid Assessment Worksheet* attached to email from Richard Bernstein, Consultant for Torat Hayim Hebrew School, to AAD (June 22, 2017).

¹⁰ *Request for Review by Ysleta Independent School District of the Decision of the Universal Service Administrator*, CC Docket Nos. 96-45, 97-21, Order, 18 FCC Rcd. 26407, 26430-31, para. 52 (2003) (*Ysleta Order*).

¹¹ *Id.*

BENEFICIARY RESPONSE

AAD contacted and provided the Beneficiary the Detailed Audit findings on December 20, 2019. AAD conducted an exit conference with the Beneficiary on January 15, 2020. As of February 27, 2020, AAD did not receive a response that specifically addressed the findings above from Torat Hayim Hebrew Academy.¹²

¹² AAD notes that on January 10, 2020, in response to the summary of exception, Richard Bernstein (Beneficiary consultant) emailed responses to AAD, indicating that the root cause of this finding was “considered other elements of price as a price issue” and he also stated what will prevent the issue from occurring in the future would be “on the bid matrix the price category will be absolute and any ineligible components will become an independent factor.”

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R § 54.702(n) (2015)	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards. In administering the Universal Service Fund, the Administrator shall also comply with all relevant and applicable federal financial management and reporting statutes.
#1	47 C.F.R. § 54.520(c)(1)(i) (2015)	...The school must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(1) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose...
#1	<i>In the Matter of Federal-State Joint Board on Universal Service Children's Internet Protection Act</i> , CC Docket No. 96-45, Report and Order, FCC 01-120, 16 FCC Rcd 8182, para. 1 (2001).	[S]chools and libraries that have computers with Internet access must certify that they have in place certain Internet safety policies and technology protection measures in order to be eligible under section 254(h) of the Communications Act of 1934, as amended (the Act), to receive discounted Internet access, Internet services and internal connection services.
#1	<i>Id.</i> , at 8182, para. 6.	CIPA amends, <i>inter alia</i> , section 254 of the Act to impose new requirements on schools and libraries 'having computers with Internet access' and receiving discounted services under the schools and libraries universal service support mechanism. Specifically, under CIPA, no school or library may receive universal service discounts unless the authority with responsibility for administration of the school or library makes the required certifications, and ensures the use of such computers in accordance with the certifications. They must certify that they are enforcing a policy of Internet safety and have in place a technology protection measure.
#1	47 C.F.R. § 54.520(e)(1) (2015)	A school or library that knowingly fails to ensure the use of computers in accordance with the certifications in accordance with the certifications required by this section, must reimburse any funds and discounts received under the federal universal service support mechanism for schools and libraries for the period in which there was non-compliance.
#2	47 C.F.R. § 54.511(a) (2015)	Except as exempted in §54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.

#2	<i>Request for Review by Ysleta Independent School District of the Decision of the Universal Service Administrator, CC Docket Nos. 96-45, 97-21, Order, 18 FCC Rcd. 26407, 26430-31, para. 52 (2003) (Ysleta Order)</i>	[T]he prices relevant for our competitive bidding requirements are those of eligible services... [and] our past decisions require that actual price be considered in conjunction with these non-price factors to ensure that any consideration between price and technical excellence or other factors are reasonable. As noted above, the Commission stated in the Tennessee Order that it “certainly expect[s] that schools will evaluate the actual dollar amount proposed by a bidder...” for eligible services during the bidding process.
----	---	---

Attachment D

SL2018LS026

Chabad of Southern Nevada DBA Desert Torah Academy

Limited Scope Performance Audit on Compliance with the Federal Universal
Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2018LS026

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Commitment Adjustment/Recovery Action 3

USAC Management Response 4

Purpose, Scope, Background and Procedures 5

Detailed Audit Findings 7

Finding #1: 47 C.F.R. § 54.505(b)(1) - Inadequate Discount Calculation Process -
 Documentation Did Not Match Amounts Reported on the FCC Form 471 7

Criteria..... 10

EXECUTIVE SUMMARY

March 17, 2020

Rabbi Shea Harlig
Chabad of Southern Nevada DBA Desert Torah Academy
1261 South Arville Drive
Las Vegas, NV 89102

Dear Rabbi Harlig:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Chabad of Southern Nevada DBA Desert Toray Academy (Beneficiary), Billed Entity Number (BEN) 221877, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope performance audit.

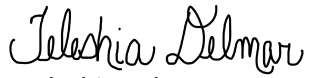
AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service provider, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Teleshia Delmar". The signature is written in a cursive, flowing style.

Teleshia Delmar

USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer

Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. 54.505(b)(1) - Inadequate Discount Calculation Process - Documentation Did Not match Amounts Reported on the FCC Form 471. In the Beneficiary's FCC Form 471, the Beneficiary listed 140 students enrolled and 105 students eligible for NSLP, which results in NSLP eligibility of 75 percent. However, based on the evidence obtained and examined by AAD, actual student enrollment was 155 and actual NSLP eligible students was 85, which results in NSLP eligibility of 55 percent.	\$8,678	\$8,678	\$8,700
Total Monetary Effect	\$8,678	\$8,678	\$8,700

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified.

USAC refers the applicant to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/applying-for-discounts/calculating-discounts/>
- <https://www.usac.org/e-rate/learn/faqs/calculating-discount-rates/>

USAC records show the Beneficiary is currently subscribed to Schools and Libraries weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-rate Program.

FRN	Recovery Amount	Commitment Adjustment Amount
1799012835	\$3,900	\$3,900
1799012836	\$3,780	\$3,780
1799012974	\$594	\$594
1799012975	\$404	\$426
Total	\$8,678	\$8,700

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$69,120	\$69,120
Voice	\$3,058	\$3,037
Total	\$72,178	\$72,157

Note: The amounts committed and disbursed reflect funding year activity as of the date of the commencement of the audit.

The committed total represents two (2) FCC Form 471 applications with four (4) Funding Request Numbers (FRNs). AAD selected two FRNs,¹ which represent \$69,120 of the funds committed and \$69,120 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a private school located in Las Vegas, Nevada that serves over 150 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the Rules. AAD used inquiry and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which funding was requested. AAD also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, AAD obtained and evaluated the Beneficiary's Internet Safety Policy. AAD obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

¹ The FRNs included in the scope of this audit were 1799012835 and 1799012836.

B. Competitive Bid Process

AAD used inquiry and inspection of documentation to determine that no bids were received for the requested services. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing a contract with the selected service provider.

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the services identified on the FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Beneficiary Location

AAD used inquiry and inspection of documentation to determine whether services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. AAD also evaluated the services purchased by the Beneficiary for cost effectiveness to determine whether funding was used in an effective manner.

E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the SPI forms for services provided to the Beneficiary. AAD verified that the services identified on the SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.505(b)(1) - Inadequate Discount Calculation Process - Documentation Did Not Match Amounts Reported on the FCC Form 471

CONDITION

AAD obtained and examined documentation provided by the Beneficiary to determine whether the Beneficiary properly calculated its discount percentage in its FCC Form 471 for FRNs 1799012835 and 1799012836. The Beneficiary provided surveys it collected from the families of its students to determine its National School Lunch Program (NSLP) eligibility percentage, which identified 168 total students among the families that responded to the survey and 96 of those students eligible for NSLP, resulting in a 57 percent NSLP eligibility rate.

AAD also obtained and examined the Beneficiary’s “Class Lists 2017-2018” and noted that it listed 168 students enrolled as well, which included Kindergarten through 12th grade students. However, the thirteen high school students listed are actually enrolled at other local high schools because the Beneficiary does not have an actual high school on site and its students “connect to local high schools to receive [sic] there [sic] diplomas.”² In examining the State of Nevada Department of Education’s directory, the Beneficiary is a licensed private school for Kindergarten (K) through eighth (8) grade. Therefore, the Beneficiary’s class list includes 155 K-8 students (168 – 13) enrolled at the Beneficiary’s location.

AAD examined copies of the family surveys for the students identified on the Beneficiary’s NSLP eligibility summary and noted five high school students identified as eligible for NSLP in the summary resulting in eight of the 13 being ineligible for NSLP. Thus, 91 (96 per the summary – 5 high school students) of the 155 K-8 students are eligible for NSLP, per the Beneficiary’s summary.

Furthermore, in two of the surveys, the Beneficiary’s summary identified the students as eligible for NSLP but the information reported in the survey demonstrated the students were not eligible. In the Beneficiary’s surveys nos. 80 and 82, household annual income exceeds the threshold for NSLP eligibility. In addition, some of the survey summary data lacked documentation or the actual survey did not contain adequate documentation to demonstrate NSLP eligibility. In one instance (Beneficiary’s survey no. 90), the summary identified a NSLP eligible student but a copy of the survey was not provided by the Beneficiary. In three instances, the summary identified NSLP eligible students but the surveys did not demonstrate eligibility as follows:

Survey No.	Survey Inaccuracies
29	Child’s grade level not visible
38	Household annual income missing
74	Survey lists 12 individuals in the household but only 10 are listed in the survey, which results in the household being not eligible for NSLP based on the listed household income.

² Response received from Richard Bernstein, Consultant, Chabad of Southern Nevada, to AAD’s Audit Inquiries Record (May 3, 2019).

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),³ which require auditors to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.⁴ Because the Beneficiary did not provide a copy of one survey and because three surveys did not contain adequate information to support the results of the Beneficiary’s survey summary, AAD is unable to conclude that the students in those surveys are eligible for NSLP.⁵

In the six surveys identified above, six students were listed in the Beneficiary’s summary as eligible for NSLP. Therefore, AAD determined that only 85 students (96 per the Beneficiary’s survey – 5 high school students – 5 students within inaccurate surveys – 1 missing survey) in the Beneficiary’s summary are substantiated with sufficient evidence.

In the Beneficiary’s FCC Form 471 application no. 171007222 for FRNs 1799012835 and 1799012836, the Beneficiary listed 140 students enrolled and 105 students eligible for NSLP, which results in NSLP eligibility of 75 percent (105 / 140). The Beneficiary’s SLP discount rate in its FCC Form 471 based on 75 percent NSLP eligibility is 90 percent for Category 1 services (excluding voice services), 85 percent for Category 2 services, and 30 percent for voice services. However, the Beneficiary’s actual NSLP eligibility based on the evidence obtained and examined by AAD is 55 percent (85 / 155) and its SLP discount rate should have been 80 percent for Category 1 services (except voice services), 80 percent for Category 2 services, and 20 percent for voice services.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure its discount rate data was accurate in its FCC Form 471. The Beneficiary has a limited number of administrative staff and, although the Beneficiary utilizes a consultant for its SLP application process, it did not have an adequate secondary review in place by someone independent of the application preparation.

EFFECT

The monetary effect for this finding is \$8,678. This amount represents the difference between the amounts disbursed by SLP in excess of the Beneficiary’s recalculated committed amounts using a discount rate of 80 percent for Category 1 services (excluding voice services) and 20 percent for voice services as follows:

FRN	Disbursed Amount	Recalculated Commitment Amount	Monetary Effect
1799012835	\$35,100	\$31,200	\$3,900
1799012836	\$34,020	\$30,240	\$3,780
1799012974 ⁶	\$1,784	\$1,190	\$594
1799012975 ⁷	\$1,252	\$848	\$404
Total	\$72,156	\$63,478	\$8,678

³ 47 C.F.R. § 54.702(n) (2016).

⁴ See U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Jul. 2018) (“Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.”).

⁵ 47 C.F.R. § 54.516(a)(1) (2016).

⁶ Although not in the original scope of the audit, AAD determine that the FRN was also impacted by this Finding.

⁷ Although not in the original scope of the audit, AAD determined that the FRN was also impacted by this Finding.

RECOMMENDATION

AAD recommends USAC management seek recovery in the amount of \$8,678. In addition, AAD recommends USAC management issue a downward commitment adjustment to reduce the committed amounts for the FRNs in the Effect section above to the recalculated commitment amounts. The Beneficiary must implement controls and procedures to ensure that a sufficient review of the underlying documentation is performed to substantiate the information reported on the FCC Form 471, prior to submitting the forms to SLP.

BENEFICIARY RESPONSE

[Beneficiary chose not to respond to this Finding.]

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.505(b)(1) (2016).	For schools and school districts, the level of poverty shall be based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. School districts shall divide the total number of students eligible for the National School Lunch Program within the school district by the total number of students within the school district to arrive at a percentage of students eligible. This percentage rate shall then be applied to the discount matrix to set a discount rate for the supported services purchased by all schools within the school district. Independent charter schools, private schools, and other eligible educational facilities should calculate a single discount percentage rate based on the total number of students under the control of the central administrative agency.
#1	47 C.F.R. § 54.702(n) (2016).	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards.
#1	47 C.F.R. § 54.516(a)(1) (2016).	Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.

Attachment E

SL2018LS028



Al-Rasheed Academy

Limited Scope Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2018LS028

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Commitment Adjustment/Recovery Action 3

USAC Management Response 5

Purpose, Scope, Background and Procedures 6

Detailed Audit Findings 8

Finding #1: 47 C.F.R. § 54.516(a)(1) (2016) – Lack of Documentation – Beneficiary Did Not Demonstrate it Conducted a Fair and Open Competitive Bidding Process and Selected a Cost-Effective Service Provider 8

Finding #2: 47 C.F.R. § 54.516(a)(1) (2016) – Inadequate Documentation – Beneficiary Did Not Demonstrate a Technology Protection Measure Was Installed and in Use During the Funding Year 9

Finding #3: 47 C.F.R. § 54.505(b)(1) (2016) - Inadequate Discount Calculation Process - Documentation Did Not Match Amounts Reported on the FCC Form 471 10

Criteria..... 12



EXECUTIVE SUMMARY

December 16, 2019

Anwar Al-Kalai, Principal
Al-Rasheed Academy
109 Ridge Road
Lackawanna, NY 14218

Dear Mr. Al-Kalai,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Al-Rasheed Academy (Beneficiary), Billed Entity Number (BEN) 17014797, using the regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 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 competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. 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 three (3) detailed audit findings (Findings) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

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

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

Sincerely,



Teleshia Delmar

USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer

Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect (A)	Overlapping Recovery and/or Commitment Adjustment ¹ (B)	Recommended Recovery	Recommended Commitment Adjustment (A - B)
<p>Finding #1: 47 C.F.R. § 54.516(a)(1) – Lack of Documentation-Beneficiary Did Not Demonstrate it Conducted a Fair and Open Competitive Bidding Process and Selected a Cost-Effective Service Provider. The Beneficiary verbally informed AAD that the Beneficiary conducted a competitive bidding process but did not maintain the documentation.</p>	\$80,730	\$0	\$19,159	\$80,730
<p>Finding #2: 47 C.F.R. § 54.516(a)(1) – Inadequate Documentation-Beneficiary Did Not Demonstrate a Technology Protection Measure Was Installed and in Use During the Funding Year. The Beneficiary provided AAD with a screen shot of its current Internet filter that identified the website categories selected for filtering, but the documentation did not demonstrate the date the filter was purchased and installed to determine whether the Beneficiary had a TPM installed and in use during the Funding Year 2017.</p>	\$80,730	\$80,730	\$0	\$0

¹ If a finding is subsequently waived via appeal, any overlapping recovery and/or commitment adjustment with that finding will be recovered and/or adjusted with the remaining findings.

Audit Results	Monetary Effect (A)	Overlapping Recovery and/or Commitment Adjustment ¹ (B)	Recommended Recovery	Recommended Commitment Adjustment (A - B)
Finding #3: 47 C.F.R. § 54.505(b)(1) - Inadequate Discount Calculation Process - Documentation Did Not Match Amounts Reported on the FCC Form 471. The enrollment documentation provided by the Beneficiary did not support the enrollment and NSLP amounts listed on the Beneficiary’s FCC Form 471.	\$9,184	\$8,970	\$0	\$214
Total Net Monetary Effect	\$170,644	\$89,700	\$19,159	\$80,944

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. If there are other FRNs under the scope of the findings there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/competitive-bidding/>
- <https://www.usac.org/video/sl/10-comp-bidding/index.html>
- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>
- <https://www.usac.org/e-rate/applicant-process/applying-for-discounts/calculating-discounts/>
- <https://www.usac.org/e-rate/learn/faqs/calculating-discount-rates/>

USAC recommends the Beneficiary subscribe to Schools and Libraries weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (<https://www.usac.org/e-rate/resources/news-brief/>).

FRN	Recovery Amount	Commitment Adjustment Amount
1799112011	\$19,159	\$80,730
1799112010		\$214
Total	\$19,159	\$80,944

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$14,306	\$0
Internet Access	\$86,130	\$0
Voice Services	\$2,908	\$0
Total	\$103,344²	\$0³

Note: The amounts committed and disbursed reflect funding year activity as of the date of the commencement of the audit.

The committed total represents two (2) FCC Form 471 applications with five (5) Funding Request Numbers (FRNs). AAD selected three FRNs,⁴ which represent \$97,304 of the funds committed and \$0 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a private school located in Lackawanna, New York that serves over 100 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the Rules. AAD used inquiry and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was

² Subsequent to the date of the commencement of the audit, the Beneficiary submitted a request to cancel three of the FRNs, which SLP approved and reduced the committed funds for those FRNs to \$0. As of the date of this report, the total amount remaining committed is \$81,370. The FRNs AAD selected to perform the procedures enumerated below represent \$80,730 of the revised committed amount.

³ Subsequent to the date of the commencement of the audit, SLP disbursed \$19,231 to the Beneficiary for the FRNs with remaining commitments.

⁴ The FRNs included in the scope of this audit were: 1799112072, 1799112011 and 1799112008.

requested. AAD also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, AAD obtained and evaluated the Beneficiary's Internet Safety Policy. AAD obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

B. Competitive Bid Process

AAD attempted to obtain and examine documentation to determine whether all bids received were properly evaluated and price of the eligible services and goods was the primary factor considered. AAD also attempted to obtain and examine evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers.

C. Beneficiary Location

AAD used inquiry and inspection of documentation to determine whether the services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.516(a)(1) – Lack of Documentation – Beneficiary Did Not Demonstrate it Conducted a Fair and Open Competitive Bidding Process and Selected a Cost-Effective Service Provider

CONDITION

AAD requested documentation to determine whether the competitive bidding process undertaken to select service providers was fair and open, to determine whether all bids were considered, and to determine whether the Beneficiary selected the most cost-effective service provider using price of eligible goods and services as the primary factor for FRNs 1799112008 and 1799112011. AAD's request for documentation included, but was not limited to, copies of bids received (winning and losing), bid evaluation matrices, bid evaluation meeting notes, and contracts or agreements executed with the service providers. The Beneficiary verbally informed AAD during a phone call on December 19, 2018 that the Beneficiary conducted a competitive bidding process but did not maintain the documentation. In addition, the Beneficiary did not provide copies of the contracts or agreements executed with the winning service provider.

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),⁵ which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.⁶ Because the Beneficiary did not provide documentation, the Beneficiary did not demonstrate that it conducted a fair and open competitive bidding process,⁷ selected the most cost-effective service provider using price of eligible goods and services as the primary factor,⁸ and waited the required 28 days following the posting of the FCC Form 470 before selecting and executing a contract or agreement with the service provider⁹ in accordance with the Rules.

CAUSE

The Beneficiary is new to the E-rate program in Funding Year 2017 and did not demonstrate sufficient knowledge of the Rules governing document retention. The Beneficiary utilizes a consultant but does not have designated personnel employed by the Beneficiary to ensure compliance with the Rules.

EFFECT

The monetary effect of this finding is \$80,730. This amount represents the total amount committed by SLP for FRN 1799112011. There is no monetary effect for FRN 1799112008 as the Beneficiary submitted a request to SLP to cancel the FRN, which SLP approved, and the committed amount was reduced to \$0.

⁵ 47 C.F.R. § 54.702(n) (2016).

⁶ See U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) (“Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.”).

⁷ 47 C.F.R. § 54.503(a) (2016).

⁸ 47 C.F.R. § 54.504(a)(1)(ix) (2016).

⁹ 47 C.F.R. § 54.503(c)(4) (2016).

RECOMMENDATION

AAD recommends USAC management seek recovery of the \$19,159 disbursed and issue a downward commitment adjustment for \$80,730 to reduce total commitments for FRN 1799112011 to \$0. The Beneficiary must implement controls and procedures to ensure that it retains adequate records related to the application for, receipt, and delivery of discounted telecommunications and other supported services, as required by the Rules, and to comply with an audit and produce such records upon request.

RESPONSE

[The Beneficiary chose not to respond to this finding.]

Finding #2: 47 C.F.R. § 54.516(a)(1) – Inadequate Documentation – Beneficiary Did Not Demonstrate a Technology Protection Measure Was Installed and in Use During the Funding Year

CONDITION

AAD requested documentation to determine whether the Beneficiary complied with the Children’s Internet Protection Act (CIPA) requirements, including the demonstration that a Technology Protection Measure (TPM) was in use that protects against Internet access by adults and minors to visual depictions that are obscene, child pornography, or harmful to minors during Funding Year 2017 for FRN 1799112011.¹⁰ AAD requested documentation including, but not limited to, Internet filter logs that could demonstrate websites were blocked or service provider bills that demonstrate the purchase and installation of a TPM during Funding Year 2017. The Beneficiary provided AAD with a screen shot of its OpenDNS *Web Content Filtering* settings that identified the website categories selected for filtering. However, the Beneficiary’s documentation did not demonstrate when the TPM was purchased and installed.

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),¹¹ which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.¹² Because the Beneficiary did not provide sufficient documentation to demonstrate that a TPM was installed and in use during Funding Year 2017, the Beneficiary did not demonstrate compliance with CIPA requirements for Funding Year 2017.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure documentation was maintained demonstrating compliance with CIPA requirements, including the purchase and installation of a TPM. The Beneficiary has a limited number of administrative staff and, although the Beneficiary utilizes a consultant for its SLP application and pre-commitment processes, the Beneficiary does not have a designated

¹⁰ 47 C.F.R. § 54.520(c)(1)(i) (2016).

¹¹ 47 C.F.R. § 54.702(n) (2016).

¹² See U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) (“Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.”).

employee to maintain a thorough knowledge of the Rules to ensure complete compliance throughout the SLP post-commitment process.

EFFECT

The monetary effect of this finding is \$80,730. This amount represents the total funds committed by SLP for FRN 1799112011.

RECOMMENDATION

AAD recommends USAC management seek recovery of the \$19,159 disbursed and issue a downward commitment adjustment for \$80,730 to reduce total commitments for FRN 1799112011 to \$0. The Beneficiary must implement policies and procedures to ensure it retains adequate documentation demonstrating installation and use of a TPM.

BENEFICIARY RESPONSE

[The Beneficiary chose not to respond to this finding.]

Finding #3: 47 C.F.R. § 54.505(b)(1) – Inadequate Discount Calculation Process – Documentation Did Not Match Amounts Reported on the FCC Form 471

CONDITION

AAD obtained and examined documentation, including the Beneficiary's FCC Form 471, the enrollment list provided by the Beneficiary, and the Nonpublic Enrollment by Grade from New York State Education Department's (NYSED) website to determine whether the Beneficiary included all eligible students and properly calculated its discount percentage in its FCC Form 471 for FRN 1799112011. In its FCC Form 471 application no. 17104970 for FRN1799112011, the Beneficiary identified 111 students enrolled. However, the Beneficiary's total enrollment per its manually generated list of students was 181. Further, enrollment per NYSED's website was 175. Thus, the enrollment listed in the Beneficiary's FCC Form 471 was not supported by the Beneficiary's enrollment list or by NYSED's reported enrollment.

In addition, the Beneficiary identified 111 National School Lunch Program (NSLP) eligible students in its FCC Form 471 and the Beneficiary provided family income surveys demonstrating that 111 students were eligible for NSLP. Thus, the Beneficiary's enrollment listed in its FCC Form 471 equates to the NSLP eligible students rather than the amount listed in the Beneficiary's own enrollment list or by NYSED. As a result, the Beneficiary's NSLP eligibility percentage in its FCC Form 471 is 100 percent and the Beneficiary's corresponding discount rate in its FCC Form 471 is 90 percent for Category 1 (excluding voice services), 85 percent for Category 2 services, and 30 percent for voice services. However, because the enrollment documentation provided by the Beneficiary and the enrollment per NYSED does not support the enrollment listed in the Beneficiary's FCC Forms 471, the Beneficiary's discount calculation process used for completing its FCC Forms 471 was not adequate.

AAD recalculated the Beneficiary's discount rate using the Beneficiary's enrollment list and the enrollment as reported by NYSED, which resulted in NSLP eligibility percentages of 61 and 63, respectively. In both instances, the discount rate equates to 80 percent for Category 1 (excluding voice services), 80 percent for

Category 2 services, and 20 percent for voice services. Therefore, the Beneficiary’s discount rate is overstated by 10 percent resulting in SLP over-committing \$9,184, as follows:

FRN	Service	Pre-Discounted Costs of Services Requested	Discounted Costs of Services Original Percent	Discounted Costs of Services at Recalculated Percent	Amount Over-Committed
1799112011	Internet Access	\$89,700	\$80,730	\$71,760	\$8,970
1799112010 ¹³	Voice Services	\$2,132	\$640	\$426	\$214
Total		\$91,832	\$81,370	\$72,186	\$9,184

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure its FCC Form 471 was complete and accurate. The Beneficiary utilized a consultant to complete its FCC Form 471 without designating an employee to perform a subsequent review to ensure the information in its FCC Form 471 was accurate.

EFFECT

The monetary effect of this finding is \$9,184. This amount represents the difference between the amount committed by SLP and the amount that would have been committed at the lower discount rate, as follows.

FRN	Amount
1799112011	\$8,970
1799112010	\$214
Total	\$9,184

RECOMMENDATION

AAD recommends USAC management issue a downward commitment adjustment for \$9,184 to reduce total commitments for FRN 1799112011 to \$71,760 and for FRN 1799112010 to \$426. The Beneficiary must implement controls and procedures to ensure that a sufficient review of the underlying documentation is performed to substantiate the information reported on the Beneficiary’s FCC Form 471, prior to submitting the forms to SLP.

BENEFICIARY RESPONSE

[The Beneficiary chose not to respond to this finding.]

¹³ Although FRN 1799112010 was not selected in the scope of the audit, AAD identified that the FRN was impacted by this Finding.

CRITERIA

Finding	Criteria	Description
#1, 2	47 C.F.R. § 54.516(a)(1) (2016).	Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.
#1, 2	47 C.F.R. § 54.702(n) (2016).	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards.
#1	47 C.F.R. § 54.503(a) (2016).	All entities participating in the school and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.
#1	47 C.F.R. § 54.504(a)(1)(ix) (2016).	Except as exempted by § 54.503(e), all bids submitted to a school, library, or consortium seeking eligible services were carefully considered and the most cost-effective bid was selected in accordance with § 54.503 of this subpart, with price being the primary factor considered, and it is the most cost-effective means of meeting educational needs and technology goals.
#2	47 C.F.R. § 54.520(c)(1)(i) (2016).	The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The school must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(1) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose.

Finding	Criteria	Description
#3	47 C.F.R. § 54.505(b)(1) (2016).	For schools and school districts, the level of poverty shall be based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. School districts shall divide the total number of students eligible for the National School Lunch Program within the school district by the total number of students within the school district to arrive at a percentage of students eligible. This percentage rate shall then be applied to the discount matrix to set a discount rate for the supported services purchased by all schools within the school district. Independent charter schools, private schools, and other eligible educational facilities should calculate a single discount percentage rate based on the total number of students under the control of the central administrative agency.

Attachment F

SL2019BE027

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

ST. JOSEPH COUNTY SCHOOLS INFORMATION SERVICES

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES**

USAC AUDIT No. SL2019BE027



Cotton & Company LLP
635 Slaters Lane
Alexandria, Virginia 22314
703.836.6701, phone
703.836.0941, fax
www.cottoncpa.com

CONTENTS

EXECUTIVE SUMMARY 1
AUDIT RESULTS 2
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES 2



Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
ST. JOSEPH COUNTY SCHOOLS INFORMATION SERVICES
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES**

Executive Summary

June 1, 2020

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of St. Joseph County Schools Information Services (Beneficiary), Billed Entity Number (BEN) 17002918, using regulations and orders governing the federal Universal Service Schools and Libraries Program (SLP), set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, 2) data used to calculate the discount percentage and the type and amount of services received, and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with the Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed no audit findings. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the Federal Communications Commission (FCC) and should not be used by those who have not agreed to the procedures and accepted responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results

Based on the test work performed, our examination disclosed no findings.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the Rules for Funding Year 2017. The Beneficiary is a consortium located in Centreville, Michigan that serves more than 10,000 students.

The following chart summarizes the SLP support amounts committed and disbursed to the Beneficiary for Funding Year 2017 as of October 11, 2019, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$40,176	\$29,318
Data Transmission and/or Internet Access	\$235,686	\$233,577
Voice	\$8,827	\$8,575
Total	<u>\$284,689</u>	<u>\$271,470</u>

The “Amount Committed” total represents five FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for Funding Year 2017 that resulted in 26 Funding Request Numbers (FRNs). We selected a sample of four of the FRNs, which represent \$114,403 of the funds committed and \$101,888 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the SLP. Specifically, to determine if the Beneficiary used the funding in accordance with the Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We performed inquiries, direct observation, and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

We obtained and examined documentation to determine whether the Beneficiary complied with the requirements of the SLP Children’s Internet Protection Act (CIPA). Specifically, we obtained and evaluated the Beneficiary’s Internet Safety Policy and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services and goods in selecting the service provider. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC’s website before signing contracts with the selected service providers. In addition, we evaluated the cost-effectiveness of the equipment and services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Form 472, *Billed Entity Applicant Reimbursements (BEARs)*; FCC Form 474, *Service Provider Invoices (SPIs)*; and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Site Visit

We did not perform a site visit; however, we obtained and reviewed photographs of the equipment to determine whether it was properly delivered and installed, located in eligible facilities, and used in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary was using the funding in an effective manner.

E. Reimbursement Process

We obtained and examined equipment and service invoices that the Beneficiary and service provider submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary and service provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR and SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR and SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and were eligible in accordance with the SLP Eligible Services List.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping tail.

Michael W. Gillespie, CPA, CFE
Partner
Alexandria, VA

Attachment G

SL2019BE048



*Brevard County School District
Audit ID: SL2019BE048
(BEN: 127700)*

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2017 as of September 30, 2019*

Prepared for: Universal Service Administrative Company

As of Date: May 28, 2020

KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

AUDIT RESULTS AND RECOVERY ACTION 6

USAC MANAGEMENT RESPONSE 7

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES..... 8

 Background 8

 Program Overview 8

 Beneficiary Overview 8

 Objectives 9

 Scope..... 9

 Procedures..... 10

RESULTS 12

 Finding, Recommendation and Beneficiary Response 12

 Criteria 13

 Conclusion 13



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

May 28, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Brevard County School District, Billed Entity Number (“BEN”) 127700, (Beneficiary) for disbursements of \$4,030,312 and commitments of \$4,132,581, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of September 30, 2019 (hereinafter “Funding Year 2017”). Our work was performed during the period from October 28, 2019 to May 28, 2020, and our results are as of May 28, 2020.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

The audit objective of our work was to evaluate the Beneficiary’s compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program (“E-rate Program”) set forth in 47 C.F.R. Part 54 of the Federal Communications Commission’s (“FCC”) Rules as well as other program requirements (collectively, the “Rules”) that determined the Beneficiary’s eligibility and resulted in commitments of \$4,132,581 and disbursements of \$4,030,312 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary’s management. Our responsibility is to evaluate the Beneficiary’s compliance with the Rules based on our audit.

As our report further describes, KPMG identified one finding as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on the results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2017 were \$513 higher than they would have been had the amounts been reported properly.

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

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated May 28, 2020.

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.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FRN	Funding Request Number
Funding Year 2017 or FY 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of September 30, 2019)
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
<u>SL2019BE048-F01: Beneficiary Over Invoiced SLP for Services Received Outside the Funding Year</u> – The Beneficiary requested and received reimbursement for voice services incurred prior to Funding Year 2017.	\$513	\$513
Total Net Monetary Effect	\$513	\$513

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified.

USAC refers the applicant to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/invoicing/>
- <https://www.usac.org/e-rate/trainings/bear-training-site/>
- https://www.usac.org/video/sl/2019/invoicing/story_html5.html

USAC records show the Beneficiary is currently subscribed to Schools and Libraries weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-rate Program.

FRN	Recovery Amount
1799070078	\$513

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

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

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's Schools and Libraries Division (SLD) administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services is reduced by 20%, and reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$4,132,581 and disbursements of \$4,030,312 made for Funding Year 2017.

Beneficiary Overview

Brevard County School District (BEN# 127700) is a school district located in Viera, Florida that serves over 68,000 students.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$770,497	\$682,628
Voice Services	\$42,154	\$27,756
Internal Connections	\$3,319,930	\$3,319,928
Total*	\$4,132,581	\$4,030,312

**Source: USAC*

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of September 30, 2019.

The committed total represents three FCC Form 471 applications with eleven FRNs. We selected nine FRNs, which represent \$4,129,252 or 99.92% of the total funds committed and \$4,030,312 or 100% of the total funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$4,132,581 and disbursements of \$4,030,312 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

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

1. Planning and Assessment
2. Application Process
3. Competitive Bid Process
4. Calculation of the Discount Percentage
5. Invoicing Process
6. Site Visit
7. Reimbursement Process
8. Record Keeping
9. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected nine FRNs in scope for this audit.

2. Application Process

We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support the Beneficiary's effective use of funding. We also used inquiry to determine if any individual schools related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

5. Invoicing Process

For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

6. Site Visits

For the FRN audited related to internal connection, we performed a physical inventory to evaluate the location and use of equipment and services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. We also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was used in an effective manner.

7. Reimbursement Process

For the FRNs audited, we obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was

invoiced properly. Specifically, we reviewed invoices associated with the SPI and BEAR forms for services and equipment provided to the Beneficiary. We verified that the services and equipment claimed on the SPI and BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

8. Record Keeping

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

9. Final Risk Assessment

Based on the performance of the above audit procedures for the sampled FRNs, we considered any non-compliance detected during the audit and its effect on the FRN excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRN. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG’s performance audit results include a listing of finding, recommendation and Beneficiary’s response with respect to the Beneficiary’s compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Finding, Recommendation and Beneficiary Response

KPMG’s performance audit procedures identified one finding. The finding, including the condition, cause, effect, recommendation, and Beneficiary response are as follows:

Finding No.	<u>SL2019BE048-F01: Beneficiary Over Invoiced SLP for Services Received Outside the Funding Year</u>
Condition	Under FRN No. 1799070078, the Beneficiary submitted Funding Year (FY) 2016 voice services in the amount of \$513 post discount on BEAR No. 2856924. As these expenses were incurred during FY 2016, they are ineligible for reimbursement in FY 2017.
Cause	The service provider billed the Beneficiary for services provided in Funding Year 2016 in Funding Year 2017 and the Beneficiary’s review of BEAR was not executed properly, which resulted in ineligible expenses on the BEAR when submitted to USAC for reimbursement.
Effect	The monetary effect of this finding is an over disbursement of \$513 under FRN 1799070078.
Recommendation	KPMG recommends that the Beneficiary enhance their review of BEAR forms to verify all items are eligible and related to the current funding year.
Beneficiary Response	Brevard County School District concurs with the over disbursement of \$513 associated with FRN 1799070078. Measures are in place to identify future ineligible charges that may occur into the next E-Rate funding year.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. Section 54.507(d) (2016)	"Schools and libraries, and consortia of such eligible entities shall file new funding requests for each funding year no sooner than the July 1 prior to the start of that funding year. Schools, libraries, and eligible consortia must use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought."

Conclusion

KPMG’s evaluation of the Beneficiary’s compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding, where the Beneficiary Over Invoiced SLP for Services Received Outside the Funding Year. Detailed information relative to the finding is described in the Finding, Recommendation and Beneficiary Response section above.

The estimated monetary effect of this finding is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery
Voice Services	\$513	\$513
Total Impact	\$513	\$513

KPMG recommends that the Beneficiary enhance their review of BEAR forms to verify all items are eligible and related to the current funding year.