



# Schools and Libraries Committee

## Audit Report Briefing Book

Monday, January 24, 2022

Available For Public Use

Universal Service Administrative Company Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: October 2021

<b>Entity Name</b>	<b>Number of Findings</b>	<b>Significant Findings</b>	<b>Amount of Support</b>	<b>Monetary Effect*</b>	<b>USAC Management Recovery Action**</b>	<b>Commitment Adjustment</b>	<b>Entity Disagreement</b>
Houston Independent School District <b>Attachment A</b>	0	• Not applicable.	\$2,959,454	\$0	\$0	\$0	N
Maple Heights School District <b>Attachment B</b>	0	• Not applicable.	\$341,564	\$0	\$0	\$0	N
NetXperts, Inc <b>Attachment C</b>	0	• Not applicable.	\$314,525	\$0	\$0	\$0	N
Polk County Public Schools <b>Attachment D</b>	0	• Not applicable.	\$3,416,883	\$0	\$0	\$0	N
Youth Connection Charter School <b>Attachment E</b>	0	• Not applicable.	\$283,788	\$0	\$0	\$0	N

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<b>Entity Name</b>	<b>Number of Findings</b>	<b>Significant Findings</b>	<b>Amount of Support</b>	<b>Monetary Effect*</b>	<b>USAC Management Recovery Action**</b>	<b>Commitment Adjustment</b>	<b>Entity Disagreement</b>
<b>Total</b>	<b>0</b>		<b>\$7,316,214</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

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

\*\*The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment, as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

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**Attachment A**

**SL2021LR024**

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**HOUSTON INDEPENDENT SCHOOL DISTRICT**

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**USAC AUDIT No. SL2021LR024**



Cotton & Company LLP  
333 John Carlyle Street, Suite 500  
Alexandria, Virginia 22314  
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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HOUSTON INDEPENDENT SCHOOL DISTRICT  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

October 8, 2021

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Houston Independent School District (Beneficiary), Billed Entity Number (BEN) 141223, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on our 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 FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC

and should not be used by those who have not agreed to the procedures and 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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

**Purpose, Background, Scope, and Procedures**

The purpose of the audit was to determine whether the Beneficiary complied with the FCC Rules for Funding Year (FY) 2019. The Beneficiary is a school district located in Houston, Texas that serves more than 196,000 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2019 as of May 24, 2021, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$18,806,352	\$2,959,454
Internet Access	\$646,947	\$0
<b>Total</b>	<b><u>\$19,453,299</u></b>	<b><u>\$2,959,454</u></b>

The “amount committed” total represents four FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2019 that resulted in 252 Funding Request Numbers (FRNs). We selected a sample of ten of the FRNs, which represent \$1,333,287 of the funds committed and \$763,572 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 E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with the FCC 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.

**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 or executing month-to-month agreements with the selected service providers.

**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 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 performed a physical inventory to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC 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 used the funding in an effective manner.

**E. Reimbursement Process**

We obtained and examined equipment and service invoices that the Service Provider submitted to USAC for reimbursement and performed procedures to determine whether the Service Provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the 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 E-Rate Program Eligible Services List.

COTTON & COMPANY LLP



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

**Attachment B**

**SL2021LR009**

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# Maple Heights School District

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2021LR009

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## EXECUTIVE SUMMARY

June 22, 2021

Dr. Charlie Keenan, Superintendent  
Maple Heights School District  
5740 Lawn Avenue  
Maple Heights, Cuyahoga, OH 44137

Dear Dr. Keenan:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Maple Heights School District (Beneficiary), Billed Entity Number (BEN) 129508, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). 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, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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 blue ink that reads "Jeanette Santana-Gonzalez".

Jeanette Santana-Gonzalez  
Senior Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division



## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$257,448	\$257,448
Managed Internal Broadband Services	\$13,908	\$13,908
Internet Access	\$70,208	\$70,208
<b>Total</b>	<b>\$341,564</b>	<b>\$341,564</b>

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

The committed total represents two FCC Form 471 applications with eight Funding Request Numbers (FRNs). AAD selected four FRNs of the eight FRNs,<sup>1</sup> which represent \$226,951 of the funds committed and \$226,951 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary is a public school district located in Maple Heights, Ohio that serves 3,641 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD used inquiry and direct observation 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.

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<sup>1</sup> The FRNs included in the scope of this audit were: 1999052198, 1999066442, 1999066869, and 1999069903

**B. Competitive Bid Process**

AAD obtained and examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services 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 examined the service provider contracts to determine whether they were properly executed.

**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 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. Site Visit**

AAD performed a physical inventory virtually 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 FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was used in an effective manner.

**E. Beneficiary Location**

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

**F. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and 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 equipment and services provided to the Beneficiary. AAD verified that the equipment and 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 E-Rate Eligible Services List.

**\*\*This concludes the report.\*\***



**Attachment C**

**SL2021SP034**

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# NetXperts, Inc.

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2021SP034

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## EXECUTIVE SUMMARY

September 15, 2021

Mr. Gary Nordine, President  
NetXperts, Inc.  
1777 Botelho Drive  
Suite 102  
Walnut Creek, CA 94596

Dear Mr. Nordine:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of NetXperts, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143031867, for Funding Year 2019, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC 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 FCC 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 (2018 Revision). 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 E-Rate program applicants (selected Beneficiaries), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider's compliance with the FCC 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the 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,

A handwritten signature in blue ink that reads "Jeanette Santana-Gonzalez". The signature is written in a cursive, flowing style.

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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$660,857	\$314,525
<b>Total</b>	<b>\$660,857</b>	<b>\$314,525</b>

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

The committed total represents five FCC Form 471 applications with 21 Funding Request Numbers (FRNs). AAD selected six of the 21 FRNs,<sup>1</sup> which represent \$443,996 of the funds committed and \$212,399 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the selected Beneficiaries.

### BACKGROUND

The Service Provider provides internal connections to customers in California and its headquarters are located in Walnut Creek, CA.

### PROCEDURES

AAD performed the following procedures:

#### A. Eligibility Process

AAD obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. Specifically, AAD conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to determine whether controls exist to ensure equipment and services were eligible, delivered, and installed in accordance with the FCC Rules. AAD conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries' FCC Form 470.

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<sup>1</sup> The FRNs included in the scope of this audit were: 1999023369, 1999036381, 1999062889, 1999067664, 1999067684, and 1999068403.

**B. Competitive Bid Process**

AAD conducted inquiries 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 equipment and services to non-residential customers similarly situated to the selected Beneficiaries.

**C. Billing Process**

AAD reviewed FCC Form 474 Service Provider Invoices (SPIs) for which payment was disbursed by USAC to determine whether the equipment and services identified on the 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 E-Rate 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 equipment and 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 purchased with universal service discounts and did not provide rebates, including free services or products.

**D. Reimbursement Process**

AAD obtained and examined the SPIs submitted for reimbursement for the equipment and 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 SPIs or equipment and 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.

**\*\*This concludes the report.\*\***

**Attachment D**

**SL2021LR002**

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# Polk County Public Schools

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules  
USAC Audit No. SL2021LR002

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Purpose, Scope, Background and Procedures .....3



## EXECUTIVE SUMMARY

October 5, 2021

Frederick Heid, Superintendent  
Polk County Public Schools  
1915 South Floral Avenue  
Bartow, FL 33830

Dear Mr. Heid:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Polk County Public Schools (Beneficiary), Billed Entity Number (BEN) 127814, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). 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, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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 blue ink that reads "Jeanette Santana-Gonzalez". The signature is written in a cursive style.

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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$901,800	\$794,700
Internal Connections	\$3,325,944	\$2,622,183
<b>Total</b>	<b>\$4,227,744</b>	<b>\$3,416,883</b>

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

The committed total represents five FCC Form 471 applications with five Funding Request Numbers (FRNs). AAD selected three FRNs of the five FRNs<sup>1</sup>, which represent \$2,707,871 of the funds committed and \$2,004,115 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary is a school district located in Bartow, Florida that serves over 100,000 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD used inquiry and direct observation 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.

#### 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

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<sup>1</sup> The FRNs included in the scope of this audit were: 1999005877, 1999037824, and 1999040121.

Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers.

**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 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. Site Visit**

AAD 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 FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

**E. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and 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 equipment and services provided to the Beneficiary. AAD verified that the equipment and 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 E-Rate Eligible Services List.

**\*\*This concludes the report.\*\***

**Attachment E**

**SL2021LR010**

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# Youth Connection Charter School

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2021LR010



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## EXECUTIVE SUMMARY

July 22, 2021

Sheila Venson, Executive Director  
Youth Connection Charter School  
10 W. 35<sup>th</sup> Street, Suite 11F4-2  
Chicago, IL, 60616

Dear Sheila Venson:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Youth Connection Charter School (Beneficiary), Billed Entity Number (BEN) 220225, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the Federal Communications Commission (FCC) Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). 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, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC 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 FCC Rules that were in effect during the audit period.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Jeanette Santana-Gonzalez". The signature is written in a cursive style.

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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$75,545	\$74,706
Internet Access	\$254,643	\$209,082
<b>Total</b>	<b>\$330,188</b>	<b>\$283,788<sup>1</sup></b>

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

The committed total represents three FCC Form 471 applications with 15 Funding Request Numbers (FRNs). AAD selected 5 of the 15 FRNs<sup>2</sup>, which represent \$161,925 of the funds committed and \$141,396 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary is a charter school located in Chicago, Illinois, that serves over 3,000 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD used inquiry and direct observation 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.

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<sup>1</sup> Subsequent to the date of the commencement of the audit, the total disbursed amount was adjusted from \$283,787 to \$305,341.

<sup>2</sup> The FRNs included in the scope of this audit were: 1999010271, 1999012180, 1999037672, 1999037675 and 1999057470.

AAD obtained and examined documentation to determine whether the Beneficiary complied with the E-Rate 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.

**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 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. Site Visit**

AAD virtually performed a physical inventory to confirm 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 FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

**E. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and 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 equipment and services provided to the Beneficiary. AAD verified that the equipment and 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 E-Rate Eligible Services List.

**\*\*This concludes the report.\*\***

*Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: November 2021*

<b>Entity Name</b>	<b>Number of Findings</b>	<b>Significant Findings</b>	<b>Amount of Support</b>	<b>Monetary Effect*</b>	<b>USAC Management Recovery Action**</b>	<b>Commitment Adjustment</b>	<b>Entity Disagreement</b>
Congregation Chasides Betz Beth Malk  <b>Attachment F</b>	1	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$180,387	\$2,676	\$0	\$0	N
Jefferson County Public School District  <b>Attachment G</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$9,614,305	\$0	\$0	\$0	N
Sonoma County Office of Education, Consortium  <b>Attachment H</b>	1	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$5,195,304	\$20,146	\$20,146	\$20,146	Y

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
The Cost Cutters  <b>Attachment I</b>	4	<ul style="list-style-type: none"> <li>The Beneficiary Misstated Its <u>Request for Category Two Funding</u>. The Choanoke Area Development Association (CADA) did not install equipment in accordance with the amounts and locations specified in its Form 471.</li> </ul>	\$221,146	\$61,007	\$35,427	\$30,292	Y
<b>Total</b>	<b>6</b>		<b>\$15,211,142</b>	<b>\$83,829</b>	<b>\$55,573</b>	<b>\$50,438</b>	

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

\*\*The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment, as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

**Attachment F**

**SL2019BE026**

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**CONGREGATION CHASIDEI BETZ BETH MALK**

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**USAC AUDIT No. SL2019BE026**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
CONGREGATION CHASIDEI BETZ BETH MALK  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

November 8, 2021

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Congregation Chasidei Betz Beth Malk (Beneficiary), Billed Entity Number (BEN) 17006775, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC 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, and 2) data used to calculate the discount percentage and the type and amount of services received. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with the FCC Rules. The evidence obtained provides a reasonable basis for our finding and conclusions based on the audit objectives.

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

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

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

Audit Results	Monetary Effect	Overlapping Recovery	Recovery Action
<p><b>Finding No. 1, 47 C.F.R. § 54.523 (2017) – Untimely Payment of Beneficiary’s Non-Discounted Share to Service Provider.</b>                      The Beneficiary did not consistently pay its non-discounted share for internet access services in a timely manner.</p>	<p><u>\$2,676</u></p>	<p><u>\$0</u></p>	<p><u>\$0</u></p>
<p><b>Total Net Monetary Effect</b></p>	<p><b><u>\$2,676</u></b></p>	<p><b><u>\$0</u></b></p>	<p><b><u>\$0</u></b></p>

### USAC Management Response

USAC management concurs with the Audit Results stated above. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the Beneficiary to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/>
- <https://www.usac.org/e-rate/applicant-process/invoicing/>

USAC records show the Beneficiary is currently subscribed to the 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.

### Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the Rules for Funding Year (FY) 2017. The Beneficiary is a religious school located in Brooklyn, New York that serves 213 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2017 as of October 15, 2019, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$235,899	\$180,387
<b>Total</b>	<b><u>\$235,899</u></b>	<b><u>\$180,387</u></b>

The “amount committed” total represents one FCC Form 471 *Description of Services Ordered and Certification* application submitted by the Beneficiary for FY 2017 that resulted in eight Funding Request Numbers (FRNs). We selected a sample of three of the FRNs, which represent \$91,071 of the funds committed and \$91,071 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 E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with the FCC 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 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 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 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 services requested and purchased.

**C. Invoicing Process**

We obtained and examined invoices for which USAC disbursed payment 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. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

#### **D. Beneficiary Location**

We conducted inquiries to determine whether the services were located in eligible facilities and used in accordance with the FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which it requested funding and evaluated the cost-effectiveness of the services purchased to determine whether the Beneficiary was using the funding in an effective manner.

#### **E. Reimbursement Process**

We obtained and examined service invoices that the service provider submitted to USAC for reimbursement and performed procedures to determine whether the service provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the SPI forms for services provided to the Beneficiary. We 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 were eligible in accordance with the E-Rate program Eligible Services List.

### **Detailed Audit Finding**

#### **Finding No. 1, 47 C.F.R. § 54.523 – Untimely Payment of Beneficiary’s Non-Discounted Share to Service Provider**

##### **Condition**

The Beneficiary did not consistently pay its non-discounted share for Internet access services received under FRNs 1799028131, 1799027358, and 1799096260 in a timely manner. According to the Schools and Libraries Fifth Report and Order, payment should be made within 90 days of receiving service to be considered timely. We reviewed the service provider bills and the Beneficiary’s check payments and noted that the Beneficiary did not make any payments for its non-discounted share of the services invoiced for the first three months in FY 2017 (i.e., July through September 2017), totaling \$2,676, until January 17, 2018.

##### **Cause**

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing timely payment of the non-discounted share of invoiced services. The Beneficiary stated that the late payments resulted from cash flow issues, which it noted are prevalent in small, non-profit religious schools. The Beneficiary had previously discussed the issue with the service provider and had agreed to both pay the overdue amount and pre-pay the services for the rest of the funding year after the Beneficiary’s fundraising event in January 2018.

##### **Effect**

There is no recommended USAC recovery for this finding, as the Beneficiary paid its non-discounted share for the services within the funding year. However, by not making payments in a timely manner, the Beneficiary is at an increased risk of failing to pay its non-discounted share.

**Recommendation**

We recommend that the Beneficiary implement controls and procedures to ensure that it pays its non-discounted share of invoiced equipment and/or services in a timely manner (i.e., within 90 days of receiving the equipment and/or service) in compliance with the FCC Rules.

**Beneficiary Response**

*The auditors noted that the Beneficiary did not pay its non-discounted share within 90 days of receiving service. As we communicated to the auditor, this was the result of cash flows issues. Nevertheless, the Beneficiary will implement controls and procedures to ensure that it pays its non-discounted share of invoiced services in a timely manner, in compliance with the FCC Rules.*

**Criteria**

Finding	Criteria	Description
1	47 C.F.R. § 54.523  Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816 at para. 24 (2004)	<p><i>An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.</i></p> <p><i>Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of [the] rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services... Accordingly, [the FCC clarified] prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates [the] rule that the beneficiary must pay its share.</i></p>

COTTON & COMPANY LLP



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

**Attachment G**

**SL2021LR017**

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**JEFFERSON COUNTY PUBLIC SCHOOL DISTRICT**

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**USAC AUDIT No. SL2021LR017**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
JEFFERSON COUNTY SCHOOL DISTRICT  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

October 27, 2021

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Jefferson County School District (Beneficiary), Billed Entity Number (BEN) 128769, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on our 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 FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC

and should not be used by those who have not agreed to the procedures and 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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

**Purpose, Background, Scope, and Procedures**

The purpose of the audit was to determine whether the Beneficiary complied with the FCC Rules for Funding Year (FY) 2019. The Beneficiary is a school district located in Jefferson County, Kentucky that serves more than 101,000 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2019 as of May 25, 2021, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$7,417,319	\$7,417,319
Internet Access	<u>\$2,218,158</u>	<u>\$2,196,986</u>
<b>Total</b>	<b><u>\$9,635,477</u></b>	<b><u>\$9,614,305</u></b>

The “amount committed” total represents four FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2019 that resulted in four Funding Request Numbers (FRNs). We selected a sample of three of the FRNs, which represent \$9,366,194 of the funds committed and \$9,345,022 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 E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with the FCC 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.

**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 or executing month-to-month agreements with the selected service providers.

**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 performed a physical inventory to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC 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 used the funding in an effective manner.

**E. Reimbursement Process**

We obtained and examined equipment and service invoices that the Beneficiary submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary 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 E-Rate program Eligible Services List.

COTTON & COMPANY LLP



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

**Attachment H**

**SL2018LS029**

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# Sonoma County Office of Education, Consortium

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Limited Scope Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules  
USAC Audit No. SL2018LS029

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**Detailed Audit Finding:** 47 C.F.R. § 54.503(a) – Inadequate Competitive Bidding  
    Process .....6





## EXECUTIVE SUMMARY

May 27, 2021

Dr. Steven D Herrington  
Sonoma County Office of Education, Schools Connect Consortium  
5340 Skylane Boulevard  
Santa Rosa, CA 95403

Dear Dr. Herrington:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Sonoma County Office of Education, Schools Connect Consortium (Beneficiary), Billed Entity Number (BEN) 17004728, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited scope performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). 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 FCC 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 Result 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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 blue ink that reads "Jeanette Santana-Gonzalez". The signature is written in a cursive style.

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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery	Recommended Commitment Adjustment
<b>Finding: 47 CFR 54.503(c)(1) (2016) - Inadequate Competitive Bidding Process.</b> The Beneficiary selected a service that was not requested on the FCC Form 470 and did not seek other bids.	\$20,146	\$20,146
<b>Total Net Monetary Effect</b>	<b>\$20,146</b>	<b>\$20,146</b>

## USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Result stated above. See the chart below for the recovery and commitment adjustment amounts. USAC will review the FCC Form 470 relating to the competitive bidding issue and if there are other FRNs not in the scope of this audit that cite that FCC Form 470, there may 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 also refers the Beneficiary 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/competitive-bidding-process/story.html>
- <https://www.usac.org/e-rate/learn/webinars/> (“FCC Form 470 and Competitive Bidding Office Hour”)

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
1799031509	\$20,146	\$20,146

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

## SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2017 (audit period):

<b>Service Type</b>	<b>Amount Committed</b>	<b>Amount Disbursed</b>
Internal Connections	\$7,178	\$6,938
Basic Maintenance of Internal Connections	\$154	\$154
Internet Access	\$5,332,313	\$5,188,212
<b>Total</b>	<b>\$5,339,645</b>	<b>\$5,195,304</b>

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

The committed total represents 21 FCC Form 471 applications with 23 Funding Request Numbers (FRNs). AAD selected five FRNs of the 23 FRNs,<sup>1</sup> which represent \$3,272,644 of the funds committed and \$3,179,418 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 consortium located in Santa Rosa, California that serves over 71,000 students in 40 school districts.

## PROCEDURES

AAD performed the following procedures:

### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD performed inquiries 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 conducted inquiries 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 requirements of the Children's Internet Protection Act (CIPA). Specifically, AAD 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

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

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<sup>1</sup> The FRNs included in the scope of this audit were: 1799031509, 1799067651, 1799075742, 1799105436, and 1799109365

Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers.

**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 conducted inquiries and inspected documentation to determine whether the equipment and services were located in eligible facilities and utilized in accordance with the FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and 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 equipment and 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 equipment and services provided to the Beneficiary. AAD 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 eligible in accordance with the E-Rate Eligible Services List.

## DETAILED AUDIT FINDING

### **Detailed Audit Finding:** 47 C.F.R. § 54.503(a) – Inadequate Competitive Bidding Process

#### CONDITION

AAD obtained and examined documentation, including the FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form*, the Beneficiary's Request for Proposal (RFP), and the service provider bids responding to the requested services, to determine whether the Beneficiary conducted a fair and open competitive bidding process for FRN 1799031509. In its FCC Form 470, the Beneficiary requested Internet access services, including "High Speed Data Services" with a minimum of 5 Mbps and maximum of 50 Mbps for six locations, and in its RFP, the Beneficiary requested "High Speed Network Services" with scalable pricing from 5 Mbps to 50 Mbps.

The Beneficiary received bid responses from AT&T, TelePacific, and Comcast. AAD examined copies of the bid responses and determined that AT&T submitted a bid proposing 10 Mbps for only one of the six locations requested in the FCC Form 470. TelePacific declined to bid on the requested services and stated that it could not provide a cost-competitive solution for many of the requested locations. Comcast submitted a bid proposing pricing on speeds ranging from 100 Mbps to 1000 Mbps for the six requested locations. The Beneficiary evaluated the three bid responses and determined that AT&T and TelePacific did not meet its needs and, therefore, selected Comcast as the winning service provider to provide 100 Mbps to 200 Mbps Internet access services.

The Beneficiary selected Comcast as its service provider even though the Beneficiary did not request speeds higher than maximum 50 Mbps requested on its FCC Form 470 and the RFP.<sup>2</sup> The Beneficiary selected a service that was a Cardinal change from the service requested in its FCC Form 470 and in its RFP. Thus, AAD determined that the Beneficiary's FCC Form 470 and the RFP did not contain sufficient information to enable bidders to reasonably determine the needs of the Beneficiary and that the Beneficiary was seeking or would accept bids for higher speeds of service. Further, while AT&T and TelePacific did not submit a bid response offering speeds greater than the maximum 50 Mbps noted in the FCC Form 470 and the RFP for all six locations, AT&T, TelePacific, and other service providers could have determined that it could have submitted a responsive bid. For these reasons, AAD concludes that the Beneficiary did not conduct a fair and open competitive bidding process.

#### CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules regarding the competitive bidding process as the Beneficiary believed that it could select a higher speed of internet access services if offered by a potential service provider. In addition, the Beneficiary did not review the FCC Rules on providing sufficient information to enable bidders to reasonably determine the needs of the Beneficiary.

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<sup>2</sup> See 47 C.F.R. § 54.503(c)(1) (2016).

## EFFECT

The monetary effect of this finding is \$20,146. This amount represents the full amount committed and disbursed by the E-Rate program for FRN 1799031509.

## RECOMMENDATION

AAD recommends that USAC management seek recovery of \$20,146 and issue a downward commitment adjustment for \$20,146.

The Beneficiary must implement policies, procedures, and controls to ensure it conducts a fair and open competitive bidding process by providing potential service providers with an opportunity to submit a bid proposal based on the needs of the Beneficiary and ensure it provides sufficient information to enable potential bidders to reasonably determine the needs of the Beneficiary. Further, if the Beneficiary makes a cardinal change to the services requested, the Beneficiary must submit a new RFP and/or FCC Form 470 to ensure a fair and open competitive bidding process. Also, AAD recommends the Beneficiary familiarize itself with the FCC Rules governing the performance of a fair and open competitive bidding process.

## BENEFICIARY RESPONSE

Sonoma COE disagrees with AAD's determination that a fair and open competitive bidding process was not conducted in conjunction with FCC Form 470 799390000934429 and accompanying RFP. On September 30, 2011, Sonoma COE posted FCC Form 470 799390000934429 and RFP seeking quotes for High Speed Data Services for 6 sites with a minimum capacity of 5 mbps to a maximum of 50 mbps. With the exception of an addendum to extend the bid due date to November 17, 2011, there were no additional addendums, Requests for Information, or any changes made to the services being sought that could be construed as a "cardinal change." Comcast was the only respondent that could deliver High Speed Data Services as specified in the RFP, however the quoted speeds were higher than what was stated in the FCC Form 470.

The finding states "*..while **AT&T** and **TelePacific** did not submit a bid response offering speeds greater than the maximum 50 Mbps noted in the FCC Form 470 and the RFP for all six locations, AT&T, TelePacific, and other service providers could have determined that it could have submitted a responsive bid.*"

Sonoma COE disputes this statement and offers rationale that supports the Beneficiary's decision to award Comcast as AT&T and Telepacific could not deliver High Speed Data Services to the locations requested:

- AT&T's bid response quoted services for 1 of the 6 locations requested on the RFP (35555 Annapolis Road), however their offer was contingent on the award of an internet access contract that was completely independent of services requested for FCC Form 470 799390000934429 and RFP. Furthermore, in an email between AT&T and Sonoma COE dated 11/22/2011, provided to AAD, "AT&T will only be responding with an offer for this one site. The other sites are either outside of the footprint or outside the current reach of Opt-e-MAN service."
- Telepacific's bid response consisted only of an email to the Beneficiary informing them that they would not be cost-competitive and therefore declining to bid on the project.
- Comcast's bid response included bandwidth options of 100 mbps to 1000 mbps. Sonoma COE's immediate need was to get High Speed Data Services to the locations listed on the RFP and

proceeded to award 1 site at 200 mbps and 3 sites at 100 mbps as these were both the lowest and closest speeds to those originally requested. Comcast did not offer High Speed Data Services at the lower bandwidths requested, therefore awarded the services that would deliver adequate bandwidth to the schools.

The finding also states that if the “Beneficiary makes a cardinal change to the services requested, the Beneficiary must submit a new RFP and/or FCC Form 470 to ensure a fair and open competitive bidding process.” This assessment does not accurately reflect what occurred during this competitive bidding process. Sonoma COE did not revise or amend any part of their RFP. The only responsive provider proposed higher bandwidths than what was stated in the Form 470 and RFP. AAD’s conclusion that this was not a fair and open competitive bid process is not a fair or true assessment of what occurred. Sonoma COE did conduct a fair and open competitive bid process, however their only option was to award to the only respondent provider offering the lowest bandwidth options for High Speed Data Services that would meet the needs of the school sites.

Since the E-Rate Funding Year under audit (FY 2017), the management and oversight at Sonoma COE Schools Connect Consortium has undergone significant changes at both the internal and external levels. In January 2018, Sonoma COE changed their E-Rate Consulting representation to CSM, Inc. to provide comprehensive E-Rate support that would work closely with Sonoma COE’s E-Rate support staff. The immediate goal for Sonoma COE and CSM was to establish a close partnership to ensure compliant processes at every level. We feel that the procedures and processes that have been built upon immensely since January 2018. Staff has attended the USAC’s Fall Applicant Trainings, State trainings in addition to accessing the various tools and resources available on USAC’s website regarding competitive bidding.

#### AAD RESPONSE

In its response, the Beneficiary states that it chose the only service provider that could deliver the services as specified in the RFP. AAD obtained and examined the service providers bids and other documentation and noted that none of the service providers offered the High Speed Data Services for 6 sites with a minimum capacity of 5 mbps to a maximum of 50 mbps. Thus, this constitutes a cardinal change, and the Beneficiary should have revised its Form 470 and related RFP as stated in the Recommendation section, as well as, the Beneficiary should have initiated a competitive bidding process to allow other vendors who could provide 100 Mbps internet service to all consortium members when the Beneficiary determined that Comcast’s offered services exceeded the maximum 50 Mbps services requested in the FCC Form 470 79939000934429 and RFP. Initiating a new bid evaluation would have allowed service providers to bid on internet service with bandwidth in excess of 50 Mbps and may have increased the number of bids received and resulted in the Beneficiary receiving the same services at a lower cost. For this reason, AAD’s position on this Finding remains unchanged.

#### CRITERIA

The 47 C.F.R. §§ 54.503(a); (c)(1) (2016) states:

“(a) All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.



NOTE TO PARAGRAPH (a): The following is an illustrative list of activities or behaviors that would not result in a fair and open competitive bidding process:... the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids.

(c) (1) An eligible school, library, or consortium that includes an eligible school or library seeking bids for eligible services under this subpart shall submit a completed FCC Form 470 to the Administrator to initiate the competitive bidding process. The FCC Form 470 and any request for proposal cited in the FCC Form 470 shall include, at a minimum, the following information:

- (i) A list of specified services for which the school, library, or consortium requests bids;
- (ii) Sufficient information to enable bidders to reasonably determine the needs of the applicant....”

\*\*This concludes the report.\*\*

**Attachment I**  
**SL2020SP004**

Available For Public Use

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**PERFORMANCE AUDIT**

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**THE COST CUTTERS**

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**USAC AUDIT No. SL2020SP004**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
THE COST CUTTERS  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

November 11, 2021

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of The Cost Cutters (Service Provider), Service Provider Identification Number (SPIN) 143035668, for Funding Year 2018, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of Service Provider management. Our responsibility is to make a determination regarding the Service Provider’s compliance with the FCC 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, evidence supporting the type and amount of services that the Service Provider provided to E-Rate applicants in the states of North Carolina, Florida, West Virginia, and New York (selected Beneficiaries). It also included performing other procedures we considered necessary to make a determination regarding the Service Provider’s compliance with the FCC 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 four detailed audit findings, discussed in the Audit Results and Commitment Adjustment/Recovery Action section below. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

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 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 and Commitment Adjustment/Recovery Action**

Based on the test work performed, our examination disclosed that the Service Provider and Beneficiaries did not comply with the FCC Rules, as set forth in the four detailed audit findings discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	USAC Recovery Action	Recommended Commitment Adjustment
<b>Finding No. 1: FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 – Service Provider Over-Invoiced E-Rate Program for Services Not Provided.</b> The Service Provider erroneously submitted a duplicate invoice for internet access services.	\$5,135	\$0	\$5,135	\$0
<b>Finding No. 2: 47 CFR § 54.502(b) (2017) – Beneficiary Misstated Its Request for Category Two Funding.</b> One Beneficiary, the Choanoke Area Development Association (CADA), did not install equipment in accordance with the amounts and locations specified in its Form 471.	\$30,292	\$0	\$30,292	\$30,292
<b>Finding No. 3: FCC Form 472, Block 3 (2017) – Beneficiary Over-Invoiced the E-Rate Program for Services Not Received.</b> One beneficiary, the West Harlem Community Organization	\$10,099	\$0	\$0	\$0

Audit Results	Monetary Effect	Overlapping Recovery	USAC Recovery Action	Recommended Commitment Adjustment
(WHCO), erroneously invoiced USAC for services that it did not receive.				
<b>Finding No. 4: 47 CFR § 54.523 (2017) – Untimely Payment of the Beneficiary’s Non-Discounted Share to the Service Provider.</b> One beneficiary, CADA, did not pay its non-discounted share of the Service Provider’s bills in a timely manner (i.e., within 90 days).	<u>\$15,481</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Net Monetary Effect</b>	<u><b>\$61,007</b></u>	<u><b>\$0</b></u>	<u><b>\$35,427</b></u>	<u><b>\$30,292</b></u>

### USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. USAC will review other invoices filed by the Beneficiary and Service Provider during the audited Funding Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments.

USAC will request the Beneficiaries and Service Provider provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Beneficiaries and Service Provider to our website for additional resources. Various links are listed below:

Finding No. 1:

- <https://www.usac.org/e-rate/service-providers/step-5-invoicing/>
- <https://www.usac.org/e-rate/learn/webinars/> (“E-rate Invoicing Process”)

Finding No. 2:

- <https://www.usac.org/e-rate/learn/webinars/> (“Category Two Budgets”)
- <https://www.usac.org/e-rate/applicant-process/before-youre-done/transfer-of-equipment/>

Finding No. 3:

- <https://www.usac.org/e-rate/learn/webinars/> (“E-rate Invoicing Process”)
- <https://www.usac.org/e-rate/applicant-process/invoicing/>

Finding No. 4:

- <https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/>

USAC records show the Beneficiaries and Service Provider are currently subscribed to the E-Rate 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
1899080868	\$5,135	\$0
1899048046	\$30,292	\$30,292
<b>Total</b>	<b>\$35,427</b>	<b>\$30,292</b>

### Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with the FCC Rules for Funding Year (FY) 2018. The Service Provider is an organization that provides internet access and internal connections to customers in Florida, North Carolina, West Virginia, New York, and Illinois. Its headquarters is located in New York, New York.

The following chart summarizes the E-Rate support amounts committed and disbursed for the Service Provider’s services as of September 22, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$85,246	\$74,378
Internet Access	\$273,920	\$146,491
Voice Services	\$6,705	\$277
<b>Total</b>	<b><u>\$365,871</u></b>	<b><u>\$221,146</u></b>

The “amount committed” total represents 22 FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the selected Beneficiaries for FY 2018 that resulted in 24 Funding Request Numbers (FRNs). We selected a sample of 10 of the FRNs, which represent \$299,618 of the funds committed and \$217,407 of the funds disbursed, during the audit period. Using this sample, we performed the audit procedures enumerated below.

#### A. Eligibility Process

We conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether equipment and services were eligible and had been delivered and installed in accordance with the FCC Rules. We obtained an understanding of the Service Provider’s operations and background. Specifically, we reviewed the Service Provider’s FCC Forms 473, *Service Provider Annual Certification*, and 498, *Service Provider Identification Number and General Contact Information Form*, to determine whether they were complete and accurate. We also conducted inquiries and examined documentation to determine if the Service Provider was eligible to perform the services, as well as to obtain general background information.



## **B. Competitive Bid Process**

We reviewed the Service Provider's contracts with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the equipment and services requested and purchased to determine whether the equipment and services provided by the Service Provider matched those requested in the selected Beneficiaries' FCC Form 471 documents.

## **C. Billing Process**

We reviewed the FCC Forms 472, *Billed Entity Applicant Reimbursements (BEARs)*, and FCC Forms 474, *Service Provider Invoices (SPIs)*, for which USAC disbursed payment to determine whether the equipment and services identified on the BEARs and SPIs and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider's contracts and were eligible in accordance with the E-Rate Eligible Services List. Because the Service Provider did not have any customers that were not affiliated with the E-Rate program in FY 2018, we did not examine documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged for similar equipment and services purchased with Universal Service discounts and did not provide rebates, including free services or products.

## **D. Reimbursement Process**

We obtained and examined the BEARs and SPIs that the selected Beneficiaries and Service Provider submitted to USAC for reimbursement for the equipment and services delivered to the selected Beneficiaries and performed procedures to determine whether the Service Provider had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the BEAR and SPI forms for equipment and services provided to the selected Beneficiaries.

## **Detailed Audit Findings**

### **Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 – Service Provider Over-Invoiced E-Rate Program for Services Not Provided**

#### **Condition**

The Service Provider erroneously submitted a duplicate invoice for internet access services under FRN 1899080868. Specifically, the Service Provider submitted two SPI forms to USAC for internet access services provided in May and June 2019 to the YWCA of Greater Miami-Dade, Inc. The first SPI form only included services provided to three of the Beneficiary's four locations. The Service Provider attempted to supplement this invoice with a separate invoice for the services it provided to the Beneficiary's fourth location; however, the Service Provider inadvertently invoiced for all four locations on the second SPI, rather than only one. As a result, the Service Provider erroneously submitted a duplicate invoice for services at three locations.

USAC disbursed \$16,560 to the Service Provider for this FRN based on the erroneous SPIs. The discount share of services actually provided to the four locations, however, was only \$11,425 (\$12,695 total costs at 90%), resulting in a USAC overpayment of \$5,135.

**Cause**

The Service Provider did not have controls in place to ensure that invoices it submitted to USAC were accurate and did not include duplicate charges.

**Effect**

The Service Provider over-invoiced USAC by \$5,135.

Support Type	Monetary Effect	Recommended Recovery
FRN 1899080868 (Internet Access)	\$5,135	\$5,135

**Recommendations**

We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement stronger review controls to ensure that SPIs are accurate and include only eligible charges before it submits the SPIs to the E-Rate program for reimbursement.

**Service Provider Response**

The Service Provider declined to respond to this audit finding.

**Finding No. 2, 47 CFR § 54.502(b) (2017) – Beneficiary Misstated Its Request for Category Two Funding<sup>1</sup>**

**Condition**

One beneficiary, CADA, did not install equipment in accordance with the amounts and locations specified in its approved Form 471 application. Specifically, CADA requested a pre-discount total of \$87,278 in E-Rate program Category 2 equipment for 10 recipient locations. In its Form 471 application, CADA allocated the funding request evenly among these locations, with 10 percent of the requested amount going to each location. However, CADA did not actually distribute the equipment evenly across the 10 recipient locations. In particular, CADA did not install any of the requested equipment at four of the locations, and the cost of the equipment it installed at four other locations exceeded not only the amount that CADA requested for those locations on its Form 471 application, but also the locations’ Category 2 budgets, as follows:

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<sup>1</sup> See also USAC Schools and Libraries Program News Brief, March 13, 2015 (“Q11. Can school districts or library systems shift funds or average costs between their schools and libraries? A11. No, category two funding must be spent for the specific school or library for which they are allotted. These funds cannot be shifted or averaged across your school district or library system.”).

Entity Number	Eligible Costs Requested on FCC Form 471	Cost of Equipment Installed and Billed	Approved Pre-Discount Category 2 Budget	Amount by Which Cost Exceeds Cost Requested on Form 471	Amount by Which Cost Exceeds Category 2 Budget
16059659	\$8,728	\$11,716	\$9,582	\$2,988	\$2,134
16059757	\$8,728	\$6,574	\$9,582		
16059661	\$8,728	\$8,288	\$9,582		
17007532	\$8,728	\$0	\$9,582		
17007534	\$8,728	\$0	\$9,582		
16059666	\$8,728	\$0	\$9,582		
16059760	\$8,728	\$28,887	\$20,310	\$20,159	\$8,577
16059759	\$8,728	\$14,037	\$9,582	\$5,310	\$4,455
16059758	\$8,728	\$0	\$9,686		
16059761	\$8,728	\$13,929	\$10,311	\$5,201	\$3,617
<b>Total*</b>	<b><u>\$87,280</u></b>	<b><u>\$83,431</u></b>	<b><u>\$107,381</u></b>	<b><u>\$33,658</u></b>	<b><u>\$18,783</u></b>

\*CADA requested \$87,278 in funding; the \$2 difference is the result of rounding.

FCC Rules do not allow beneficiaries to shift funding between schools.<sup>2</sup>

### Cause

CADA allocated its Category 2 funding evenly among the recipient locations on its Form 471 because it believed that the request represented shared services. CADA viewed the Form 471 application as a plan that was subject to change based on the locations' actual needs at the time the services were delivered.

### Effect

The cost of the equipment that CADA installed at four of the locations exceeded the funding that CADA requested for these locations by \$33,658; in addition, it exceeded the locations' Category 2 budgets by \$18,783. The monetary effect of this finding is therefore \$30,292 (\$33,658 multiplied by CADA's 90 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
FRN 1899048046 (Internal Connections)	\$30,292	\$30,292	\$30,292

### Recommendations

We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above and issue a downward commitment adjustment for the same amount, if appropriate.

<sup>2</sup> See, e.g., *supra* n.1.

2. CADA gain an understanding of the FCC Category 2 and budget rules as they relate to the funding of E-Rate eligible equipment.

### **Beneficiary Response**

*CADA is a private, non-profit organization, a Community Action Agency, whose mission is to assist low-income citizens achieve self-sufficiency and a better quality of life. Their purpose is to promote through regional cooperation, the industrial, agricultural, recreational, educational and general economic well-being and health and welfare of the citizens of Bertie, Halifax, Hertford and Northampton Counties.*

*The populations of the communities in the 2010 census are noted below:*

*Ahoskie in Hertford County – 5,039  
Woodland in Northampton County – 809  
Enfield in Halifax County – 2,347  
Scotland Neck in Halifax County – 2,059  
Weldon in Halifax County – 1,655  
Kelford in Bertie County – 251  
Roanoke Rapids in Halifax County – 15,754  
Garysburg in Northampton County – 1,057  
Windsor in Bertie County – 2,283.*

*The schools represented by CADA are small, notably low income, within a rural area of North Carolina covering several counties. These schools submitted the FCC Form 471 together to ensure cost effective implementation of a Wide Area Network for their otherwise unserved information needs.*

*These schools have limited funds to create the needed network and to ensure adequate access to the Internet. Together, they sought to contribute a share of their schools E-Rate budget to ensure they could provide internet access to their students.*

*Under CFR 54.502(b)(5), they sought reimbursement for shared services to provide a WAN for their digital needs. This provided for the following:*

*(5) Requests. Applicants shall request support for category two services for each school or library based on the number of students per school building or square footage per library building. Category two funding for a school or library may not be used for another school or library. The costs for category two services shared by multiple eligible entities shall be divided reasonably between each of the entities for which support is sought in that funding year.*

*Whereas the notation for single use equipment Category two funding for a school may not be used for another school, the costs for services provided by the WAN may be divided reasonably between each of the entities. This arrangement, between these entities, provided for a portion of their budget to contribute to the whole of the network.*

*The installation, given the topology, number of students accessing that network from a given location, and the layout of the network to sustain adequate network coverage dictated that more shared equipment be installed in respective areas than other locations.*

*The equipment was installed in the respective sites based on the schools' location. Hertford County, Halifax County, and two locations in Bertie County.*

*The FCC contemplated such situations as noted in FCC 119-117. In paragraph 8, it references the situation CADA faced when implementing this network. It noted in its hypothetical school the following:*

*The costs of equipment or services shared with other schools, such as a switch serving all schools in a district, would be divided reasonably between the budgets of each school sharing the service.*

*This illustration notes that this finding is not in line with program rules. The equipment was installed in locations best serving the data needs for all schools and the agreed upon financial arrangement between school budgets is within program rules.*

*Examination of the equipment for single use by a school would warrant a finding but when applied to this situation the services of the equipment involved do not warrant a finding.*

### **Auditor Response**

The purchased Category 2 equipment funded by FRN 1899048046 consisted of 26 access points, 6 switches and 21,250 feet of cabling. The Beneficiary's records show that this equipment was only installed at six of the 10 schools for which funding was requested. It is not clear how switches and access points installed at those schools benefited, or shared services with, the remaining four schools that did not receive any equipment. In addition, USAC guidance specifically states that Category 2 funding must be spent for the specific school or library for which it was allotted and approved for, and the funds cannot be shifted or averaged across a school district or library system. We have made no change to our audit finding and recommendations.

### **Finding No. 3, FCC Form 472, Block 3 (2017) – Beneficiary Over-Invoiced the E-Rate Program for Services Not Received**

#### **Condition**

One beneficiary, WHCO, erroneously invoiced USAC for services that it did not receive from the Service Provider. Specifically, WHCO invoiced USAC for \$10,099 (\$11,221 multiplied by WHCO's 90 percent discount rate) for services under FRN 1899036716. However, WHCO did not receive any services from the Service Provider under this FRN, nor did the Service Provider bill WHCO for any such services. WHCO representatives confirmed that WHCO had submitted the BEAR form to USAC in error.

**Cause**

WHCO inadvertently invoiced USAC for the wrong FRN. It submitted a BEAR for services it received from another service provider that were funded under another FRN.

**Effect**

WHCO invoiced USAC \$10,099 for services that it did not receive from the Service Provider. Because WHCO reimbursed USAC for the overpayment after we identified the issue during our audit, we are not recommending monetary recovery.

**Recommendation**

We recommend that WHCO establish and implement procedures to ensure that it invoices the correct FRNs on its BEARs and that it only requests reimbursement for services received.

**Beneficiary Response**

*WHCO accepts the recommendation, and has implemented procedures that require a supervisory review of USAC invoices by its Finance Director prior to submitting for reimbursement. The Finance Director position was vacant at the time of the error.*

**Finding No. 4, 47 CFR § 54.523(2017) Untimely Payment of the Beneficiary's Non-Discounted Share to the Service Provider<sup>3</sup>****Condition**

One beneficiary, CADA, did not pay its non-discounted share of the Service Provider's bills for services provided under FRNs 1899045750 and 1899048046 in a timely manner (i.e., within 90 days). CADA did not make either payment until after our audit began, as follows:

- The Service Provider delivered the Category 2 equipment that CADA purchased under FRN 1899048046 in March 2019. However, CADA did not pay its non-discounted share of \$12,515 until January 12, 2021.
- CADA did not pay its non-discounted share of \$2,966 for internet access services delivered from September 2018 through June 2019 until April 12, 2021.

**Cause**

CADA did not have internal controls in place to ensure that it complied with FCC Rules regarding the payment of beneficiaries' non-discounted share of costs for eligible services.

**Effect**

Because CADA ultimately paid the non-discounted share of the funded services, this finding won't result in recovery of USAC funds. However, we noted that CADA did not make the payments within the 90 day period that USAC has deemed reasonable.

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<sup>3</sup> See also *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Red. 15808, 15816, at para. 24 (2004).qq

**Recommendation**

We recommend that CADA establish and implement internal control policies and procedures to ensure that it pays service providers within 90 days after completion of service.

**Beneficiary Response**

*The error was on the then new finance director’s part. It was a failure to establish the service provider as a vendor. There was a misunderstanding regarding the funding of those services. The services and costs were not in CADA’s original budget. Therefore, CADA was not able to use DHHS-ACF funds for those costs. Therefore, unrestricted funds had to be used. CADA is a private non-profit with very limited unrestricted funds, that relies on funding from federal and state entities. The service provider is now a vendor where we have been making routine payments to them within the 90 days. Also, CADA has and will be more strategic and critical about services reported to USAC while trying to become more knowledgeable, of how the USAC E-rate program works.*

**Criteria**

Finding	Criteria	Description
1	<p data-bbox="344 814 612 1039">FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2</p> <p data-bbox="344 1690 612 1841">FCC Form 474, Service Provider Invoice (SPI) Form at Block 3</p>	<p data-bbox="612 814 1412 1081"><i>I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider contain requests for universal service support for service which have been billed to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i></p> <p data-bbox="612 1102 1412 1438"><i>I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p data-bbox="612 1459 1412 1669"><i>I certify that the invoices submitted by the Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i></p> <p data-bbox="612 1690 1412 1841"><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge</i></p>

Finding	Criteria	Description
		<p><i>to the best of my knowledge, information and belief, as follows:</i></p> <p><i>I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitment.</i></p>
2	47 CFR § 54.502(b) (2017)	<p><i>(1) Five-year budget. Each eligible school or library shall be eligible for a budgeted amount of support for category two services over a five-year funding cycle beginning the first funding year support is received. Excluding support for internal connections received prior to funding year 2015, each school or library shall be eligible for the total available budget less any support received for category two services in the prior funding years of that school's or library's five-year funding cycle. The budgeted amounts and the funding floor shall be adjusted for inflation annually in accordance with §54.507(a)(2).</i></p> <p><i>(2) School budget. Each eligible school shall be eligible for support for category two services up to a pre-discount price of \$150 per student over a five-year funding cycle. Applicants shall provide the student count per school, calculated at the time that the discount is calculated each funding year. New schools may estimate the number of students, but shall repay any support provided in excess of the maximum budget based on student enrollment the following funding year.</i></p> <p><i>(5) Requests. Applicants shall request support for category two services for each school or library based on the number of students per school building or square footage per library building. Category two funding for a school or library may not be used for another school or library. If an applicant requests less than the maximum budget available for a school or library, the applicant may request the remaining balance in a school's or library's category two budget in subsequent funding years of a five year cycle. The costs for category two services shared by multiple eligible entities shall be divided reasonably between each of the entities for which support is sought in that funding year.</i></p>



Finding	Criteria	Description
3	FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form, at Block 3	<p><i>“I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.”</i></p>
4	47 CFR § 54.523 (2017)	<p><i>Payment for the non-discount portion of supported services. An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.</i></p>
4	<p><i>Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816 at para. 24 (2004)</i></p>	<p><i>Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of [the] rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services... Accordingly, [the FCC clarified] prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates [the] rule that the beneficiary must pay its share.</i></p>

COTTON & COMPANY LLP



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

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: December 2021

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Coeur d'Alene School District 271  <b>Attachment J</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$379,782	\$0	\$0	\$0	N
Iowa Department of Education  <b>Attachment K</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$2,221,811	\$0	\$0	\$0	N
Irving Independent School District  <b>Attachment L</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$3,342,531	\$0	\$0	\$0	N
<b>Total</b>	<b>0</b>		<b>\$5,944,124</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

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

\*\*The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment, as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

**Attachment J  
SL2021LR008**

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# Coeur d'Alene School District 271

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2021LR008

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## EXECUTIVE SUMMARY

December 1, 2021

Dr. Shon Hocker, Superintendent  
Coeur d'Alene School District 271  
1400 N. Northwood Center Ct.  
Coeur d'Alene, ID 83814

Dear Dr. Hocker:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Coeur d'Alene School District 271 (Beneficiary), Billed Entity Number (BEN) 142762, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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,



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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$147,886	\$147,886
Internal Connections	\$219,793	\$219,793
Basic Maintenance of Internal Connections	\$12,104	\$12,104
<b>Total</b>	<b>\$379,782</b>	<b>\$379,782</b>

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

The committed total represents two FCC Form 471 applications with six Funding Request Numbers (FRNs). AAD selected two FRNs of the six FRNs<sup>1</sup>, which represent \$272,000 of the funds committed and \$272,000 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary is a school district located in Coeur d'Alene, Idaho that serves over 10,000 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD conducted inquiries and direct observation to determine whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

#### 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

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<sup>1</sup> The FRNs included in the scope of this audit were: FRNs 1999003954 and 1999056147.



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.

**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) 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. Site Visit**

AAD performed a virtual 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 FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

**E. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR forms for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the 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 Eligible Services List.

**\*\*This concludes the report.\*\***

**Attachment K**

**SL2021LR006**

Available For Public Use

# Iowa Department of Education

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Limited Scope Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2021LR006

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## EXECUTIVE SUMMARY

November 17, 2021

Ann Lebo, Director  
Iowa Department of Education  
Grimes State Office Building  
400 East 14th Street  
Des Moines, IA 50319

Dear Ann Lebo:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Iowa Department of Education (Beneficiary), Billed Entity Number (BEN) 226023, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited scope performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). 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 FCC 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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,



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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$2,293,034	\$2,221,811
<b>Total</b>	<b>\$2,293,034</b>	<b>\$2,221,811</b>

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

The committed total represents one FCC Form 471 application with one Funding Request Number (FRN). AAD selected the one FRN<sup>1</sup>, which represents \$2,293,034 of the funds committed and \$2,221,811 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary is a consortium located in Des Moines, Iowa that serves over 1,098,000 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD performed inquiries and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

#### B. Competitive Bid Process

AAD obtained and examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services and price of the eligible services and goods was the

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<sup>1</sup> The FRN included in the scope of this audit was: 1999001946

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 a contract or with the selected service provider. AAD examined the service provider contract to determine whether they were properly executed.

**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) 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. 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 forms for services provided to the Beneficiary. AAD verified that the services identified on the 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 Eligible Services List.

**\*\*This concludes the report.\*\***



**Attachment L**

**SL2021LR005**

Available For Public Use

# Irving Independent School District

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules  
USAC Audit No. SL2021LR005

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## EXECUTIVE SUMMARY

December 8, 2021

Magda Hernandez, Superintendent  
Irving Independent School District  
2621 W. Airport Freeway  
Irving, TX, 75062

Dear Ms. Hernandez:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Irving Independent School District (Beneficiary), Billed Entity Number (BEN) (140448), using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). 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, inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC 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 FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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,



Jeanette Santana-Gonzalez  
USAC Acting Deputy Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$2,909,261	\$2,902,143
Internet Access	\$444,852	\$440,388
<b>Total</b>	<b>\$3,354,112</b>	<b>\$3,342,531</b>

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

The committed total represents two FCC Form 471 applications with sixty-three Funding Request Numbers (FRNs). AAD selected eight FRNs of the sixty-three FRNs<sup>1</sup>, which represent \$860,611 of the funds committed and \$855,012 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary is a school district located in Irving, Texas that serves over 33,000 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. 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 FCC Rules. AAD performed inquiries and direct observation to determine whether the Beneficiary was eligible to receive funds in a limited review, and had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

#### 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

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<sup>1</sup> The FRNs included in the scope of this audit were: 1999032820, 1999032824, 1999038334, 1999038865, 1999058034, 1999058100, 1999058632, and 1999058642.

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.

**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. Site Visit**

AAD performed a virtual 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 FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

**E. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and 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 equipment and services provided to the Beneficiary. AAD 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 eligible in accordance with the E-Rate Eligible Services List.

**\*\*This concludes the report.\*\***