



Schools and Libraries Committee

Audit Report Briefing Book

Monday, April 25, 2022

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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: January 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Gadsden School District #32 Attachment A	0	<ul style="list-style-type: none"> Not applicable. 	\$513,675	\$0	\$0	\$0	N
Green Dot Public Schools Attachment B	2	<ul style="list-style-type: none"> No significant findings. 	\$1,177,875	\$12,169	\$6,101	\$0	Y
Harney Education Service District Attachment C	0	<ul style="list-style-type: none"> Not applicable. 	\$45,508	\$0	\$0	\$0	N
Newington Public Schools Attachment D	0	<ul style="list-style-type: none"> Not applicable. 	\$299,434	\$0	\$0	\$0	N
Total	2		\$2,036,492	\$12,169	\$6,101	\$0	

* 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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Page 1

Attachment A

SL2021LR007

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Gadsden School District #32

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

USAC Audit No. SL2021LR007

TABLE OF CONTENTS

Executive Summary	1
Purpose, Scope, Background and Procedures	3

EXECUTIVE SUMMARY

December 31, 2021

Lizeth Esparza, Superintendent
Gadsden School District #32
1453 N. Main Street, Suite F
San Luis, AZ 85349

Dear Ms. Esparza,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Gadsden School District #32 (Beneficiary), Billed Entity Number (BEN) 146343, 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 and Service Providers for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$528,012	\$482,315
Internal Connections	\$29,365	\$22,090
Managed Internal Broadband Services	\$12,794	\$9,270
Total	\$570,171	\$513,675

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 29 Funding Request Numbers (FRNs). AAD selected four FRNs of the 29 FRNs¹, which represent \$356,191 of the funds committed and \$317,411 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 San Luis, Arizona that serves over 5,300 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 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.

¹ The FRNs included in the scope of this audit were: 1999047706, 1999069321, 1999069361, and 1999069460.

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 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 site visit 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.****

Attachment B

SL2020LS008

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

GREEN DOT PUBLIC SCHOOLS

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

USAC AUDIT No. SL2020LS008



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CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	3
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	3
DETAILED AUDIT FINDINGS	5
FINDING No. 1, FCC FORM 473, SERVICE PROVIDER ANNUAL CERTIFICATION (SPAC) FORM AT BLOCK 2 - SERVICE PROVIDER OVER-INVOICED THE E-RATE PROGRAM FOR SERVICES NOT PROVIDED	5
FINDING No. 2, FCC FORM 473, SPAC FORM AT BLOCK 2 - SERVICE PROVIDER OVER-INVOICED THE E-RATE PROGRAM FOR SERVICES DELIVERED TO INELIGIBLE LOCATIONS	6
CRITERIA	9



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
GREEN DOT PUBLIC SCHOOLS
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

December 22, 2021

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Green Dot Public Schools (Beneficiary), Billed Entity Number (BEN) 16021229, 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 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. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Our examination disclosed two detailed audit findings, 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 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

Our examination disclosed that the Beneficiary did not comply with FCC Rules, as set forth in the two detailed audit findings discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	Recommended Recovery
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 – Service Provider Over-Invoiced the E-Rate Program for Services Not Provided. The Beneficiary’s service provider invoiced the E-Rate program for recurring services before the services started and for taxes and fees not billed to the Beneficiary.	\$6,068	\$0	\$0
Finding No. 2, FCC Form 473, SPAC Form at Block 2 – Service Provider Over-Invoiced E-Rate Program for Services Delivered to Ineligible Locations. The Beneficiary requested funding for, and the Beneficiary’s service provider billed USAC for, ineligible locations.	<u>\$6,101</u>	<u>\$0</u>	<u>\$6,101</u>
Total Net Monetary Effect	<u>\$12,169</u>	<u>\$0</u>	<u>\$6,101</u>

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC will review other invoices filed by the Beneficiary and Service Providers during the audited Fund Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary and Service Providers provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Beneficiary and Service Providers to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/service-providers/step-5-invoicing/>
- <https://www.usac.org/e-rate/learn/webinars/> (Select “E-rate Invoicing Process”)
- <https://www.usac.org/e-rate/learn/bear-training-site/>
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/>

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

FRN	Recovery Amount
1899017902	\$6,101

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) 2018. The Beneficiary is a charter school with current locations in Los Angeles, California; Memphis, Tennessee; and Beaumont, Texas that serves more than 14,000 students. The scope of this audit included only E-Rate program support for the Beneficiary’s Los Angeles schools as the charter school receives USAC funding for the other locations under separate entity numbers.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2018 as of September 22, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$599,633	\$589,439
Internet Access	\$584,692	\$563,463
Voice	\$35,908	\$24,973
Total	<u>\$1,220,233</u>	<u>\$1,177,875</u>

The “amount committed” total represents two FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2018 that resulted in 22 Funding Request Numbers (FRNs). We selected a sample of five of the FRNs, which represent \$688,820 of the funds committed and \$668,979 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 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 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 E-Rate program Children’s Internet Protection Act (CIPA). Specifically, we obtained and evaluated the Beneficiary’s Internet Safety Policy and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

B. Competitive Bid Process

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

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 through a virtual site visit 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 Providers submitted to USAC for reimbursement and performed procedures to determine whether the service providers had properly invoiced the E-Rate program. 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.

Detailed Audit Findings

Finding No. 1, FCC Form 473, SPAC Form at Block 2 – Service Provider Over-Invoiced the E-Rate Program for Services Not Provided

Condition

The Beneficiary's service provider, Time Warner Cable Business, LLC (TWC), invoiced the E-Rate program before it began providing recurring services at one location and erroneously invoiced for taxes and fees not billed to the Beneficiary at another location. Specifically, the Beneficiary requested and received funding for recurring Internet access services under FRN 1899017985. TWC furnished the transaction detail supporting its SPIs to the E-Rate program for this FRN. We reviewed the detail and noted that TWC invoiced the E-Rate program for "Ethernet Intrastate" services provided for account #8448300561528206 in July and August 2018. However, TWC's bills to the Beneficiary indicated that this circuit was not installed until September 2018. As a result, TWC over-invoiced the E-Rate program by a total discounted cost of \$3,411 for July and August 2018 (\$3,790 multiplied by the Beneficiary's 90 percent discount rate).

TWC also over-invoiced the E-Rate program for taxes and fees not billed to the Beneficiary on account #8448300735540780 in FY 2018. Per TWC's bills to the Beneficiary, the total taxes and fees for this account were \$3,858; however, TWC erroneously invoiced the E-Rate program \$6,810, for a difference of \$2,952. As a result, TWC over-invoiced the E-Rate program by a total discounted cost of \$2,657 (\$2,952 multiplied by the Beneficiary's 90 percent discount rate).

Cause

TWC did not have adequate controls and procedures in place to ensure that it invoiced the E-Rate program only for services delivered and billed to the Beneficiary.

Effect

The monetary effect for this finding is \$6,068 (\$3,411 plus \$2,657). This amount represents the total discounted costs disbursed by the E-Rate program for services not rendered and for taxes and fees not billed to the Beneficiary. TWC refunded USAC \$6,068 after our audit identified the over-invoiced amounts. We therefore are not recommending recovery for this finding.

Recommendation

We recommend that TWC implement controls and procedures to ensure that it only invoices the E-Rate program for services actually rendered and billed to the Beneficiary.

Service Provider Response

Time Warner Cable has reviewed the causes of, and is in agreement with the audit findings. As noted in the audit findings, upon determination that a clerical error occurred TWC promptly returned the funds claimed in error.

Finding No. 2, FCC Form 473, SPAC Form at Block 2¹ – Service Provider Over-Invoiced the E-Rate Program for Services Delivered to Ineligible Locations**Condition**

The Beneficiary's service provider, Verizon Wireless (Verizon), invoiced the E-Rate program for pre-discounted costs of \$160,430 for E-Rate supported cell phone services for FRN 1899017902 under four separate accounts. The Beneficiary provided a listing of cell phone users and their associated location. We compared this listing to a dataset that Verizon provided as support for the SPIs submitted under this FRN. We could only identify eligible locations in one of the four accounts used to support the SPI. The dataset for the other three accounts did not contain any of the phone numbers on the listing provided by the Beneficiary. We noted that the services per the dataset were provided to locations in Washington, Tennessee and Texas as well as individual lines in other states. The Beneficiary did not provide evidence that voice services for the above noted locations were requested for funding under FRN 1899017902. The pre-discounted cost of services to the locations that could not be identified as eligible totaled \$61,011.

Cause

The Beneficiary and Service Provider did not have adequate controls in place to ensure that all costs funded by and invoiced to the E-Rate program were for services to eligible locations, and that the Beneficiary retained sufficient documentation to support the eligibility of funded services.

¹ See also 47 C.F.R. § 54.516(a)(1) (2017).

Effect

The monetary effect of this finding is \$6,101 (\$61,011 multiplied by the Beneficiary's 10 percent voice discount rate). This amount represents the total discounted amount disbursed by the E-Rate program for services delivered to locations that the Beneficiary did not demonstrate were eligible for the following FRN.

FRN	Support Type	Monetary Effect	Recommended Recovery
1899017902	Cellular Voice Services	<u>\$6,101</u>	<u>\$6,101</u>
Total		<u>\$6,101</u>	<u>\$6,101</u>

Recommendation

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary ensure that it requests E-Rate program support for services provided only to eligible locations.
3. The Beneficiary implement controls to ensure that it retains sufficient documentation to support the eligibility of services funded by the E-Rate program.
4. The Service Provider implement controls to ensure only costs associated with eligible locations are invoiced to the E-Rate program.

Beneficiary Response

Green Dot Public Schools disputes the audit finding and maintains that the services were received by only [sic] to eligible locations and used primarily educational [sic] purposes. The auditors have fundamentally misunderstood the relationship between Green Dot Public Schools in Los Angeles, Green Dot Public schools in Tennessee, Green Dot Public Schools in Washington State and Green Dot National staff.

In 2018, the year of this audit, Green Dot Public Schools represented schools in 3 states: California, Tennessee, and Washington State. They are overseen by Green Dot National staff located in Los Angeles. E-rate profiles in the E-rate Productivity Center (EPC) prevent districts from applying for schools in other states. In order to facilitate FY2018 E-rate applications, two artificial entities were created to [sic]– Green Dot Public Schools Tennessee Consortium (BEN 17008913) and Green Dot Public Schools Washington Consortium (BEN 17015496). Operationally, in 2018, they are all under Green Dot Public Schools. Green Dot Public Schools has the operational authority over all of the Green Dot Schools in those three states. Green Dot would have filed under the same BEN if the E-rate systems allowed them to do so.

The Cell phone service in question was bid out by Green Dot Public Schools for the service to be provided to all of the staff at the school sites and administrative buildings, including the sites in

Los Angeles, Tennessee and Washington state. Based on the invoices submitted as part of this audit, the services was [sic] provided at the educational locations of the staff and teachers duty stations in Memphis TN, Seattle and Tacoma WA, and Los Angeles, California area during the normal work day. Green Dot requires that the staff and teachers carry their cell phones off site, the monthly cost per unit did not change, no overage minutes were charged. Any after school usage is ancillary and therefore, no cost allocation is necessary.

The auditor's assertion that the sites in Washington State and the State of Tennessee were not eligible is erroneous and based on a technicality that they are filed as separate entities. The only reason they are separate Billed entities is because EPC is not designed to function across state lines and were artificially created to bridge that purpose. It is the same contract and the same service. All Verizon Wireless invoices for the schools in Los Angeles, Tennessee and Washington State are delivered to the Accounts Payable at 1149 S. Hill St. Suite 600, Los Angeles CA 90015-2895 and are paid by the Green Dot Public Schools National staff.

In effect, Green Dot is being penalized by USAC's systems which prevented them from filing as a single entity across multiple states, thereby creating a catch-22. (Green Dot can't file as a single district across multiple states therefore creates an artificial entity to file in the other states. Green Dot's Verizon Wireless contract was bid out by Green Dot to be used by the staff and teachers in the three regions and is penalized because the contract was a national contract on a single national funding request instead of triplicating work at higher costs to apply under artificial entities)[.]

The following is the list of Area Codes from the June 2019 Verizon Wireless invoices. Most of the Area codes are centered around Los Angeles. Area codes that were not in Los Angeles were either in Seattle WA, or in Memphis, TN. 3 area codes for phone numbers outside of the locations with school sites are assigned to two program administrators for Green Dot and a school principal at one of the schools, all of whom kept their old phone numbers. The assertion by the auditors that Green Dot "We noted that the services per the dataset were provided to locations in Washington, Tennessee and Texas as well as individual lines in other states" is spurious.

Table 1 Los Angeles Region Area codes and Locations of service

<i>Area Code</i>	<i>Area Code Location</i>	<i>Used by</i>
<i>213</i>	<i>Los Angeles</i>	<i>California staff, national staff</i>
<i>310</i>	<i>Santa Monica</i>	<i>California staff, national staff</i>
<i>323</i>	<i>Los Angeles</i>	<i>California staff, national staff</i>
<i>626</i>	<i>North East LA/ West Covina</i>	<i>California staff, national staff</i>
<i>818</i>	<i>San Fernando</i>	<i>California staff, national staff</i>
<i>619</i>	<i>San Diego, CA</i>	<i>California staff, national staff</i>
<i>424</i>	<i>Los Angeles</i>	<i>California staff, national staff</i>
<i>562</i>	<i>Long Beach, CA</i>	<i>California staff, national staff</i>

Table 2 Washington State and Tennessee State Region Area codes and Locations of service

<i>Area Code</i>	<i>Area Code Location</i>	<i>Used by</i>
206	Seattle, TN	Green Dot Washington Staff
901	Memphis, TN	Green Dot Tennessee Staff

Table 3 Area codes for Individual States referenced in the Invoice

<i>Area Code</i>	<i>Area Code Location</i>	<i>Used by</i>	<i>Green Dot Personnel</i>
785	Kansas	Green Dot National staff	1 National Program Administrator
516	New York	Green Dot CA Staff	1 Green Dot CA Principal
973	Newark, NJ	Green Dot National staff	1 National Program Administrator

Actions to be taken by Green Dot in response to this audit finding

As Cell phones and all voice services have been phased out of the E-rate program and are no longer eligible –with 2018 being the last year services were eligible for a 90% discount school, the question of managing the list of cell phones and cell phone users so that service is only available at E-rate eligible locations is moot and no actions need to be taken for future funding years.

Service Provider Response

The Service Provider elected not to respond to this finding.

Auditor Response

The Beneficiary only listed California locations as recipients of services on its FCC Form 471 for FRN 1899017902. Therefore, services to schools in other states were not approved by the E-Rate program on the FCC Form 471, and are not considered eligible for funding under this FRN.

The Beneficiary's comment regarding the phasing out of cell phone services is correct. As such, we have modified recommendation number 2 to refer to all services received by the Beneficiary.

Criteria

Finding	Criteria	Description
1, 2	FCC Form 473, SPAC Form at Block 2	<p><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><i>I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider are</i></p>

Finding	Criteria	Description
	FCC Form 474 SPI Form at Block 3	<p><i>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><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><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 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 C.F.R. § 54.516(a)(1) (2017)	<p><i>Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.</i></p>

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read 'Michael W. Gillespie', written in a cursive style.

Michael W. Gillespie, CPA, CFE

Partner

Alexandria, VA

Attachment C

SL2021LR018

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

HARNEY EDUCATION SERVICE DISTRICT

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

USAC AUDIT No. SL2021LR018



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CONTENTS

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



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HARNEY EDUCATION SERVICE DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

January 21, 2022

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Harney Education Service District (Beneficiary), Billed Entity Number (BEN) 145077, 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 Burns, Oregon that serves more than 860 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2019 as of July 7, 2021, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$19,351	\$19,351
Internet Access	<u>\$71,035</u>	<u>\$26,157</u>
Total	<u>\$90,386</u>	<u>\$45,508</u>

The “amount committed” total represents three FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2019 that resulted in seven Funding Request Numbers (FRNs), one of which was cancelled. We selected a sample of three of the FRNs, which represent \$46,259 of the funds committed and \$39,606 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. 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 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. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Site Visit

We performed a virtual 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 forms for equipment and services provided to the Beneficiary. We 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 were eligible in accordance with the E-Rate program Eligible Services List.

COTTON & COMPANY LLP



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

Attachment D

SL2021LR011

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Newington Public Schools

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

USAC Audit No. SL2021LR011

TABLE OF CONTENTS

Executive Summary	1
Purpose, Scope, Background and Procedures	3

EXECUTIVE SUMMARY

December 30, 2021

Dr. Maureen Brummett, Superintendent
Newington Public Schools
200 Garfield Street
Newington, CT 06111

Dear Dr. Brummett:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Newington Public Schools (Beneficiary), Billed Entity Number (BEN) 122338, 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 and Service Providers for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$15,132	\$15,082
Internal Connections	\$291,717	\$284,352
Total	\$306,849	\$299,434

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 nine Funding Request Numbers (FRNs). AAD selected three FRNs of the nine FRNs¹, which represent \$192,083 of the funds committed and \$184,963 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 Newington, Connecticut that serves over 4,100 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 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.

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

¹ The FRNs included in the scope of this audit were 1999057042, 1999057108, and 1999057141.

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 virtual site visit 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.****

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: February 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Green Bay Area Public School District Attachment E	2	<ul style="list-style-type: none"> No significant findings. 	\$3,750,120	\$28,890	\$28,890	\$0	N
Hennepin County Libraries Attachment F	2	<ul style="list-style-type: none"> <u>The Beneficiary Over-Invoiced the E-Rate Program for Services Delivered to Ineligible Locations.</u> The Beneficiary invoiced the E-Rate program for misallocated and ineligible costs. 	\$522,822	\$72,386	\$72,386	\$0	N
Lancaster City School District Attachment G	0	<ul style="list-style-type: none"> Not applicable. 	\$257,469	\$0	\$0	\$0	N
Total	4		\$4,530,411	\$101,276	\$101,276	\$0	

* 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.

Available For Public Use

Page 1

Attachment E

SL2018LS027

Available For Public Use



Green Bay Area Public School District

Limited Scope Performance Audit on Compliance with the Federal
Universal Service Fund E-Rate Support Mechanism Rules
USAC Audit No. SL2018LS027

TABLE OF CONTENTS	
Executive Summary.....	1
Audit Results and Recovery Action.....	3
USAC Management Response.....	4
Purpose, Scope, Background and Procedures.....	5
Detailed Audit Findings.....	7
Finding #1: 47 C.F.R. § 54.504(a) - Beneficiary Over-Invoiced E-Rate Program for Services and Equipment Not Requested in Its FCC Form 471	7
Finding #2: 47 C.F.R. § 54.516(a)(1) – Inadequate Documentation - Inaccurate Fixed Asset Listing	9
Criteria.....	11



EXECUTIVE SUMMARY

December 31, 2021

Stephen Murley, Superintendent
Green Bay Area Public School District
200 South Broadway
Green Bay, Wisconsin 54303

Dear Mr. Murley:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Green Bay Area Public School District (Beneficiary), Billed Entity Number (BEN) 133193, 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 (2011 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 disclosed two detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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, reading "Jeanette Santana-Gonzalez". The signature is fluid and cursive, with the first name "Jeanette" being more prominent.

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 RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.504(a) - Beneficiary Over-Invoiced E-Rate Program for Services and Equipment Not Requested in Its FCC Form 471. The Beneficiary invoiced the E-Rate program on its BEAR forms for services and equipment that were not requested in its FCC Form 471 nor approved in the E-Rate program's Funding Commitment Decision Letter.	\$27,167	\$27,167
Finding #2: 47 C.F.R. § 54.516(a)(1) – Inadequate Documentation - Inaccurate Fixed Asset Listing. The Beneficiary's Fixed Asset Listing (FAL) did not agree to the quantity invoiced to the E-Rate program.	\$1,723	\$1,723
Total Net Monetary Effect	\$28,890	\$28,890

USAC MANAGEMENT RESPONSE

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

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

- <https://www.usac.org/e-rate/applicant-process/invoicing/>
- <https://www.usac.org/e-rate/learn/bear-training-site/>
- <https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/>

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
1799073794	\$16,842
1799073928	\$12,048
Total	\$28,890

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):

Service Type	Amount Committed	Amount Disbursed
Voice	\$26,206	\$20,119
Internet Access	\$3,322,679	\$2,294,106
Internal Connections	\$1,460,620	\$1,435,895
Total	\$4,809,505	\$3,750,120

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 16 Funding Request Numbers (FRNs). AAD selected six FRNs of the 16 FRNs¹, which represent \$4,538,866 of the funds committed and \$3,534,254 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 school district located in Green Bay, Wisconsin that serves over 20,500 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 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.

¹ The FRNs included in the scope of this audit were 1799073794, 1799073928, 1799054214, 1799084192, 1799084161, and 1799084362.

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 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 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 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 FINDINGS

Finding #1: *FCC Form 472, E-Rate Program Billed Entity Applicant Reimbursement (BEAR) Form Billed Entity Certifications at Block 3 - Beneficiary Over-Invoiced E-Rate Program for Services and Equipment Not Requested in Its FCC Form 471*

CONDITION

AAD obtained and examined the Beneficiary's FCC Form 471, the FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) forms, and corresponding service provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for approved eligible services and equipment for FRNs 1799073794 and 1799073928. AAD determined that the Beneficiary invoiced the E-Rate program on its BEAR forms for services and equipment that were not requested in its FCC Form 471 nor approved in the E-Rate program's Funding Commitment Decision Letter (FCDL).²

The Beneficiary invoiced the E-Rate program on BEAR form nos. 2800293 and 2802151 for the pre-discounted cost of services and equipment in the amount of \$837,838 for FRN 1799073794 and \$702,515 for FRN 1799073928, respectively, which agreed to the pre-discounted costs in the service provider bills. However, the service provider bills included quantities that were greater than the quantity of services and equipment requested in the Beneficiary's FCC Form 471, as calculated below:

FRN	Equipment	Quantity Requested in FCC Form 471 A	Quantity Billed B	Difference C=B-A	Unit Price D	Pre-Discounted Cost of Difference E=C*D
1799073794	X440-G2-48p-10GE4 Switch	266	271	5	\$1,273	\$6,365
	X450-G2-48p-10GE4-Base Switch	97	99	2	\$1,715	\$3,429
	0.5m QSFP+ Passive Copper Cable	87	89	2	\$65	\$130
	LR SFP+ Module	78	86	8	\$519	\$4,150
	LRM SFP+ Module	284	296	12	\$455	\$5,460
	PWR CORD,15A,USA,NEMA5-15,C15	189	196	7	\$7	\$46
	Summit 715W AC PSU FB	194	198	4	\$233	\$931
	Summit Fan Module FB	97	99	2	\$77	\$153
	X440-G2 Dual 10Gb License	234	236	2	\$195	\$390
1799073928	WS-AP-3935i-FCC Access Points	1,812	1,848 ³	36 ⁴	\$359	\$12,924
Total						\$33,958

Thus, the Beneficiary over-invoiced the E-Rate program for the discounted cost of \$27,167 (\$33,958 * the Beneficiary's 80 percent discount rate).

² FCC Form 472, E-Rate Program Billed Entity Applicant Reimbursement (BEAR) Form Billed Entity Certifications at Block 3.

³ For 28 wireless access points, in addition to the quantities not requested in the FCC Form 471, the two locations where these were installed were not included in the FCC Form 471 among the recipients of services.

⁴ Six of the wireless access points were also not identified in the Beneficiary's fixed asset listing. See Finding no. 2.

Because the Beneficiary was only approved and committed funds by the E-Rate program for the quantities listed in its FCC Form 471, AAD concludes that the Beneficiary over-invoiced the E-Rate program for services not approved in its FCDL.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure it invoiced the E-Rate program only for the discounted cost of equipment requested in the Beneficiary's FCC Form 471 and approved in the FCDL. The Beneficiary did not have an individual with sufficient knowledge of the program and independent of the preparation process designated to perform a subsequent review to ensure the accuracy of the form prior to submission to the E-Rate program.

EFFECT

The monetary effect of this finding is \$27,167. This amount represents the total discounted cost of the unrequested and unapproved equipment that was disbursed by the E-Rate program for FRNs 1799073794 and 1799073928, as summarized below.

FRN	Disbursed Amount
1799073794	\$16,842
1799073928	\$10,325
Total	\$27,167

RECOMMENDATION

AAD recommends that USAC management seek recovery of \$27,167.

The Beneficiary must implement controls and procedures to ensure that the E-Rate program is invoiced only for approved, eligible services that are requested on the FCC Form 471, and approved and committed in an FCDL. The Beneficiary must familiarize itself with the E-Rate program requirements, and develop and implement a process that includes an individual independent of the preparation process that is designated to perform a subsequent review to ensure the accuracy of the form prior to submission to the E-Rate program. In addition, the Beneficiary may learn more about the submission of funding requests on USAC's website at <https://www.usac.org/e-rate/applicant-process/applying-for-discounts/funding-requests/> and about the E-Rate program invoicing requirements on USAC's website at <https://www.usac.org/e-rate/applicant-process/invoicing/>.

BENEFICIARY RESPONSE

The Beneficiary did not provide a response to the audit finding.

Finding #2: 47 C.F.R. § 54.516(a)(1) – Inadequate Documentation - Inaccurate Fixed Asset Listing

CONDITION

AAD obtained and examined the Beneficiary's FCC Form 471, the FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) form and the corresponding service provider bills, and the Beneficiary's Fixed Asset Listing (FAL) to determine whether all internal connection equipment purchased and received for FRN 1799073928 were properly recorded on the FAL. In its BEAR form no. 2802151, the Beneficiary invoiced the E-Rate program for all 1,848 WS-AP3935I-FCC wireless access points (WAPs) billed by the service provider. However, the Beneficiary's FAL only identified 1,842 WAPs, resulting in a total difference of six WAPs.⁵ Therefore, the Beneficiary did not support the receipt of the six WAPs. The pre-discounted unit price per WAP billed to the Beneficiary and invoiced by the Beneficiary to the E-Rate program was \$359, which resulted in the Beneficiary over-invoicing the E-Rate program for the discounted cost of \$1,732 (\$359 * 6 WAPs * the Beneficiary's 80 percent discount rate) for WAPs not accounted for on its FAL.

Because the Beneficiary's FAL did not agree to the quantity invoiced to the E-Rate program, AAD concludes that the Beneficiary over invoiced the E-Rate program for services not substantiated.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that accurate inventory records are maintained. The Beneficiary did not have an individual with sufficient knowledge of the program designated to perform a subsequent review of the fixed asset listing to ensure that all E-Rate funded equipment was included.

EFFECT

The monetary effect of this finding is \$1,723. This amount represents the total amount disbursed by the E-Rate program for the six WAPs that were billed by the service provider and invoiced to the E-Rate program but not accounted for on the Beneficiary's FAL for FRN 1799073928.

RECOMMENDATION

AAD recommends that USAC management seek recovery of \$1,723.

The Beneficiary must implement controls and procedures to ensure that all equipment is received and accounted for in the correct locations on its FAL prior to invoicing the E-Rate program seeking reimbursement. The Beneficiary must familiarize itself with the E-Rate program requirements, and develop and implement a process that includes an individual independent of the fixed asset inventory process designated to perform a subsequent review to ensure the accuracy of its FAL. In addition, the Beneficiary may learn more about E-Rate program documentation requirements on USAC's website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-e-rate-program/>. AAD also recommends the Beneficiary visit USAC's website at <https://www.usac.org/e-rate/learn/> to become familiar with the training and outreach available from the E-Rate program.

⁵ 47 C.F.R. § 54.516(a)(1) (2017).

BENEFICIARY RESPONSE

The Benenficiary did not provide a response to the audit finding.

CRITERIA

Finding	Criteria	Description
#1	<i>FCC Form 472, E-Rate Program Billed Entity Applicant Reimbursement (BEAR) Form Billed Entity Certifications at Block 3</i>	The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FCDL).
#2	47 C.F.R. § 54.516(a)(1) (2017).	Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.

Attachment F

SL2020LS006

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

HENNEPIN COUNTY LIBRARIES
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM FCC RULES

USAC AUDIT No. SL2020LS006



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CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION	2
USAC MANAGEMENT RESPONSE	3
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	3
DETAILED AUDIT FINDINGS	5
FINDING No. 1, 47 C.F.R. § 54.501 (2017) – THE BENEFICIARY OVER-INVOICED THE E-RATE PROGRAM FOR SERVICES DELIVERED TO INELIGIBLE LOCATIONS	5
FINDING No. 2, 47 C.F.R. § 54.502(A) (2017) – THE BENEFICIARY OVER-INVOICED THE E-RATE PROGRAM FOR INELIGIBLE SERVICES	7
CRITERIA	9



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HENNEPIN COUNTY LIBRARIES
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
FCC E-RATE SUPPORT MECHANISM RULES**

Executive Summary

January 27, 2022

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Hennepin County Libraries (Beneficiary), Billed Entity Number (BEN) 133579, 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 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, 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 findings and conclusions based on the audit objectives.

Our examination disclosed two detailed audit findings, 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 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

Our examination disclosed that the Beneficiary did not comply with the FCC Rules, as set forth in the two detailed audit findings discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	Recommended Recovery
Finding No. 1, 47 C.F.R. § 54.501 (2017) – The Beneficiary Over-Invoiced the E-Rate Program for Services Delivered to Ineligible Locations. The Beneficiary invoiced the E-Rate program for misallocated and ineligible costs.	\$60,461	\$0	\$60,461
Finding No. 2, 47 C.F.R. § 54.502(a) (2017) – The Beneficiary Over-Invoiced the E-Rate Program for Ineligible Services. The Beneficiary invoiced the E-Rate program for ineligible termination fees for wide area network (WAN) services and increased costs for upgraded services.	\$11,925	\$0	\$11,925
Total Net Monetary Effect	<u>\$72,386</u>	<u>\$0</u>	<u>\$72,386</u>

USAC Management Response

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

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

- <https://www.usac.org/e-rate/applicant-process/invoicing/>
- <https://www.usac.org/e-rate/learn/bear-training-site/>
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/eligible-services-overview/>

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
1899027115	\$39,634
1899022315	\$25,273
1899027259	\$7,479
Total	<u>\$72,386</u>

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) 2018. The Beneficiary is a public library system consisting of 40 branches located in Minneapolis, Minnesota with a service area population of approximately 1,248,500.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2018 as of August 27, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$522,822	\$522,822
Total	<u>\$522,822</u>	<u>\$522,822</u>

The “amount committed” total represents two FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2018 that resulted in four Funding Request Numbers (FRNs). We selected a sample of two of the FRNs, which represent \$229,862 of the funds committed and \$229,862 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 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. 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 selected a service provider that provided eligible services, 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. We examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the 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. 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 used the funding in an effective manner.

E. Reimbursement Process

We obtained and examined 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 forms for services provided to the Beneficiary. We 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 were eligible in accordance with the E-Rate Eligible Services List.

Detailed Audit Findings

Finding No. 1, 47 C.F.R. § 54.501 (2017) – The Beneficiary Over-Invoiced the E-Rate Program for Services Delivered to Ineligible Locations

Condition

The Beneficiary invoiced the E-Rate program for misallocated and ineligible costs. We reconciled the pre-discounted amount of Internet access charges that the Beneficiary reported on its BEAR forms to the amounts reported on the service provider bills. We noted that, for each FRN, the Beneficiary did not invoice the E-Rate program for the total pre-discounted costs it incurred, because total billed amounts exceeded the total pre-discounted costs committed for each FRN, as follows:

- FRN 1899027115. The service provider bills totaled \$235,893; only \$214,629 was invoiced to the E-Rate program.
- FRN 1899022315. The Beneficiary identified \$73,756 of the service provider bills as allocable; only \$72,699 was invoiced to the E-Rate program.
- FRN 1899027259. The service provider bills totaled \$319,100; only \$313,640 was invoiced to the E-Rate program.

However, we identified the following costs for ineligible locations in the service provider bills used to prepare the BEARs.

FRN 1899027115

- The Beneficiary requested in its FCC Form 471, and the E-Rate program committed funding for, WAN services to various locations including the Beneficiary's data centers, which it shares with Hennepin County government (the County). The Beneficiary indicated they should have allocated 50 percent of the WAN service costs to the County based on the number of County locations the data center serves. However, the

Beneficiary requested 100 percent of the costs in its FCC Form 471 and 100 percent of the costs were included in the service provider billings used to prepare the BEAR forms. The total pre-discounted cost of services provided to ineligible locations was \$46,272.

- The service provider bills included pre-discounted costs of \$12,684 for WAN services to the Southdale Library and Eden Prairie Library locations. However, services to these locations were funded by the E-Rate program under FRN 1899027259, and should not have been invoiced under this FRN.

These two items resulted in total ineligible pre-discounted charges of \$58,956.

FRN 1899022315: The Beneficiary did not remove dark fiber charges of \$32,658 related to an ineligible location before invoicing the E-Rate program. Total billed charges to the location amounted to \$40,822 and 80 percent had been allocated to the Beneficiary.

FRN 1899027259: This FRN funded WAN services to a data center shared by the Beneficiary and the County. The Beneficiary indicated that 22 percent of the WAN services should have been charged to the County based on the number of County locations served. We identified billed pre-discounted costs of \$11,753 that should have been allocated to the County.

Cause

The Beneficiary did not have adequate controls and procedures in place to identify ineligible costs and ensure they were removed from the BEAR forms prior to invoicing the E-Rate program. With respect to the allocation of WAN services, the Hennepin County Information Technology (IT) Department administers IT services for all departments in Hennepin County, including the Beneficiary. As a result, Beneficiary personnel are responsible for preparing and submitting the BEAR forms, and the Hennepin County IT Department is responsible for allocating WAN charges for the shared data facilities. Because the Hennepin County IT Department did not communicate the allocation of WAN usage to Beneficiary personnel, the Beneficiary did not remove the ineligible charges in preparing its BEAR forms.

Effect

FRN 1899027115: The Beneficiary incurred total pre-discounted ineligible costs of \$58,956. However, the Beneficiary only invoiced USAC for \$37,692 of these charges. As a result, the Beneficiary over-invoiced the E-Rate program \$30,154 (\$37,692 multiplied by the Beneficiary's 80 percent discount rate).

FRN 1899022315: The Beneficiary incurred total pre-discounted ineligible costs of \$32,658. However, the Beneficiary only invoiced USAC for \$31,591 of these charges. As a result, the Beneficiary over-invoiced the E-Rate program \$25,273 (\$31,591 multiplied by the Beneficiary's 80 percent discount rate).

FRN 1899027259: The Beneficiary incurred total pre-discounted ineligible costs of \$11,753. However, the Beneficiary only invoiced USAC for \$6,293 of these charges. As a result, the

Beneficiary over-invoiced the E-Rate program \$5,034 (\$6,293 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
FRN 1899027115 Internet Access	\$30,154	\$30,154
FRN 1899022315 Internet Access	\$25,273	\$25,273
FRN 1899027259 Internet Access	<u>\$5,034</u>	<u>\$5,034</u>
Total	<u>\$60,461</u>	<u>\$60,461</u>

Recommendation

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary establish written procedures to ensure that its personnel coordinate with the Hennepin County IT Department to record the correct allocation of services for shared facilities.
3. The Beneficiary implement controls to ensure that BEAR forms are accurate and include only charges for eligible services.

Beneficiary Response

Hennepin County Library will work closely with County IT to develop and document a coordinated process to record the correct allocation of services for the shared facilities.

Finding No. 2, 47 C.F.R. § 54.502(a) (2017) – The Beneficiary Over-Invoiced the E-Rate Program for Ineligible Services

Condition

The Beneficiary invoiced USAC for ineligible services as follows.

FRN 1899027115

- The Beneficiary included ineligible termination fees for WAN services under FRN 1899027115 on its BEAR form. Specifically, the service provider's bills used to prepare the BEAR included pre-discounted costs of \$9,978 for early termination fees incurred by the Oxobo branch.
- The Beneficiary requested WAN services of 40 megabits per second (Mbps) at a pre-discounted monthly recurring cost (MRC) of \$655 for its Penn Lake branch and 20 Mbps at a pre-discounted MRC of \$520 for its Excelsior branch. However, the Beneficiary

increased the WAN speed for the Penn Lake branch from 40 Mbps to 60 Mbps in October 2018 and for the Excelsior branch from 20 Mbps to 100 Mbps in November 2018, resulting in higher billed MRCs for the services to these branches. The additional pre-discounted FY 2018 amounts billed for the increased bandwidth were \$411 and \$1,460, respectively. The Beneficiary invoiced the E-Rate program for the amounts billed and not the lesser amounts requested and committed to by the E-Rate program. As a result, the service provider bills used to prepare the BEAR form included pre-discounted costs of \$1,871 (\$411+\$1,460) in excess of the amounts requested in the Beneficiary's FCC Form 471 and committed to by the E-Rate program.

FRN 1899027259: The Beneficiary requested WAN services of 20 Mbps at a pre-discounted MRC of \$560 for its Washburn branch and 60 Mbps at a pre-discounted MRC of \$735 for its North Regional branch. The Beneficiary increased the WAN speed for the Washburn branch from 20 Mbps to 60 Mbps in October 2018 and for the North Regional branch from 60 Mbps to 100 Mbps in September 2018. The additional pre-discounted FY 2018 amounts billed for the increased bandwidth were \$1,228 and \$1,828, respectively. The Beneficiary invoiced USAC for the amounts billed and not the lesser amounts requested and committed to by the E-Rate program. As a result, the service provider bills used to prepare the BEAR form included pre-discounted costs of \$3,056 (\$1,228 + \$1,828) in excess of the amounts requested in the Beneficiary's FCC Form 471 and committed to by the E-Rate program.

Cause

The Beneficiary did not demonstrate a sufficient knowledge of FCC Rules governing eligible and ineligible services. The Beneficiary invoiced the E-Rate program based on the funding commitment amount rather than eligible service charges billed.

Effect

FRN 1899027115: The monetary effect of this finding is \$9,480 ((\$9,978 plus \$1,871) multiplied by the Beneficiary's 80 percent discount rate).

FRN 1899027259: The monetary effect of this finding is \$2,445 (\$3,056 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
FRN 1899027115 Internet Access	\$9,480	\$9,480
FRN 1899027259 Internet Access	<u>\$2,445</u>	<u>\$2,445</u>
Total	<u>\$11,925</u>	<u>\$11,925</u>

Recommendation

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary implement controls to ensure that BEAR forms are accurate and include only charges for eligible services. The Beneficiary can learn more about the services eligible for E-Rate support on USAC's website at <https://www.usac.org/e-rate/applicant-process/before-you-begin/eligible-services-list/> as well as about invoicing for services requested in its FCC Form 471 at <https://www.usac.org/e-rate/applicant-process/before-youre-done/service-substitutions/>.

Beneficiary Response

Hennepin County Library will work closely with County IT to develop and implement these controls.

Hennepin County Library will also review USAC sites noted by auditors to review about eligible services and invoicing for services.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.501 (a), (b) (2017)	<p><i>(a) Schools. (1) Only schools meeting the statutory definition of “elementary school” or “secondary school” as defined in §54.500 of this subpart, and not excluded under paragraphs (a)(2) or (3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart. (2) Schools operating as for-profit businesses shall not be eligible for discounts under this subpart. (3) Schools with endowments exceeding \$50,000,000 shall not be eligible for discounts under this subpart.</i></p> <p><i>(b) Libraries (1) Only libraries eligible for assistance from a State library administrative agency under the Library Services and Technology Act (Pub. L. 104–208) and not excluded under paragraphs (b) (2) or (3) of this section shall be eligible for discounts under this subpart.)</i></p> <p><i>(2) A library’s eligibility for universal service funding shall depend on its funding as an independent entity. Only libraries whose budgets are completely separate from any schools (including, but not limited to, elementary and secondary schools, colleges, and universities) shall be eligible for discounts as libraries under this subpart. (3) Libraries operating as for-profit businesses shall not be eligible for discounts under this subpart.</i></p>
1, 2	FCC Form 472, E-Rate Program Billed Entity Applicant Reimbursement	<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</i>

Finding	Criteria	Description
	(BEAR) Form Billed Entity Certifications at Block 3	<p><i>purposes, on or after the service start date reported on the associated FCC Form 486.</i></p> <p><i>B. The discount amounts listed in this Billed Entity Applicant Reimbursement Form were already billed by the Service Provider and paid for by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.</i></p> <p><i>C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FCDL).</i></p> <p><i>D. I acknowledge that I may be audited pursuant to this application and will retain for at least 10 years (or whatever retention period is required by the FCC Rules in effect at the time of this certification), after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request any and all records that I rely upon to complete this form.</i></p> <p><i>E. I certify that, in addition to the foregoing, this Billed Entity Applicant is in compliance with the FCC 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 FCC Rules and orders may result in the denial of discount funding and/or cancellation of funding commitments. I acknowledge that failure to comply with the FCC Rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</i></p>
2	47 C.F.R. § 54.502(a) (2017)	<p><i>Supported services. All supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (d) of this section. The services in this subpart will be supported in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms. The supported services fall within the following general categories:</i></p>

Finding	Criteria	Description
		<p>(1) Category one. Telecommunications services, telecommunications, and Internet access, as defined in §54.5 and described in the Eligible Services List are category one supported services.</p> <p>(2) Category two. Internal connections, basic maintenance and managed internal broadband services as defined in §54.500 and described in the Eligible Services List are category two supported services.</p>
2	FCC Form 472 Instructions, June 2017	<p>Column (12) – Total (Undiscounted) Amount for Service per FRN. The total undiscounted amount represents the total amount paid per FRN for which you are seeking reimbursement of the discount on this BEAR. This total undiscounted amount should reflect the charges for services actually received and should not be an estimated amount. The total undiscounted amount should also not be the total annual amount for the FRN, unless you are making an annual filing or are contractually obligated to pay the entire cost of services. You must deduct charges for any ineligible services, or for eligible services delivered for ineligible recipients or used for ineligible purposes. You should gather your customer bills and any other documentation you need to support your calculations.</p>

COTTON & COMPANY LLP



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

Attachment G

SL2021LR013

Available For Public Use

Lancaster City School District

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

USAC Audit No. SL2021LR013

TABLE OF CONTENTS

Executive Summary	1
Purpose, Scope, Background and Procedures	3

EXECUTIVE SUMMARY

January 21, 2022

Nathan Hale, Superintendent
Lancaster City School District
345 E Mulberry Street
Lancaster, OH 43130

Dear Mr. Hale:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Lancaster City School District (Beneficiary), Billed Entity Number (BEN) 129139, 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 Communication 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 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, 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,



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 Lancaster City School District complied with the FCC Rules.

SCOPE

The following chart summarizes the E-rate program support amounts committed and disbursed to the Lancaster City School District for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$68,147	\$68,147
Internet Access	\$189,322	\$189,322
Total	\$257,469	\$257,469

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 seven Funding Request Numbers (FRNs). AAD selected four FRNs of the seven FRNs¹, which represent \$224,665 of the funds committed and 224,665 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 Lancaster, Ohio that serves 6,328 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.

¹ The FRNs included in the scope of this audit were: 1999052089, 1999052113, 1999052129, and 1999052145.

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 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 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 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.****

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: March 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Utah Education and Telehealth Network Attachment H	0	<ul style="list-style-type: none"> Not applicable. 	\$12,413,712	\$0	\$0	\$0	N
Total	0		\$12,413,712	\$0	\$0	\$0	

* 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 H

SL2021LR023

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

UTAH EDUCATION AND TELEHEALTH NETWORK
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES

USAC AUDIT No. SL2021LR023



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CONTENTS

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



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
UTAH EDUCATION AND TELEHEALTH NETWORK
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

February 4, 2022

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Utah Education and Telehealth Network (Beneficiary), Billed Entity Number (BEN) 150246, 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, 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 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 and Recovery Action

Based on the test work performed, our examination did not disclose any area 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 consortium that serves Salt Lake City, Utah, including approximately 658,000 K-12 students, 225,000 higher education students, and more than 77,000 educators and staff from pre-school through college. The network also connected more than 70 hospitals, clinics and health departments.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2019 as of July 6, 2021, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	<u>\$25,293,532</u>	<u>\$12,413,712</u>
Total	<u>\$25,293,532</u>	<u>\$12,413,712</u>

The “amount committed” total represents 34 FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2019 that resulted in 210 Funding Request Numbers (FRNs). We selected a sample of 10 of the FRNs, which represent \$6,065,014 of the funds committed and \$4,817,146 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 and direct observation 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 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 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. 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 used the funding in an effective manner.

E. Reimbursement Process

We obtained and examined 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 forms for services provided to the Beneficiary. We 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 were eligible in accordance with the E-Rate program Eligible Services List.

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