



# Schools and Libraries Committee

## Audit Report Briefing Book

Monday, July 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: June 2022*

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Connection <b>Attachment A</b>	4	<ul style="list-style-type: none"> <li><u>Billed Entity Applicant Reimbursement Form, FCC Form 472 - Beneficiary Over-Invoiced E-Rate for Equipment Not Requested:</u> The Beneficiary invoiced the E-Rate program for internal connections equipment that was not requested on the Beneficiary’s FCC Form 471 nor approved in the Funding Commitment Decision Letter (FCDL).</li> </ul>	\$1,440,148	\$58,083	\$54,666	\$196	Y
Craw-Kan Telephone Cooperative, Inc. <b>Attachment B</b>	5	<ul style="list-style-type: none"> <li><u>Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary:</u> The Beneficiary’s FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept a higher</li> </ul>	\$21,617	\$199,557	\$199,557	\$199,557	N

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
		<ul style="list-style-type: none"> <li>Internet access capacity than what was stated in the form.</li> <li>• <u>Billed Entity Applicant Reimbursement Form, FCC Form 472 - Beneficiary Over Invoiced E-Rate for Amounts Not Reconciled to Service Provider Bills:</u> The Beneficiary did not properly reconcile the BEAR submission to the underlying service provider bills, resulting in an overstated request to E-Rate for reimbursement.</li> </ul>					
Wichita Unified School District <b>Attachment C</b>	1	<ul style="list-style-type: none"> <li>• No significant finding.</li> </ul>	\$4,214,063	\$34,742	\$34,742	\$34,742	N
Mendota Unified School District <b>Attachment D</b>	1	<ul style="list-style-type: none"> <li>• No significant finding.</li> </ul>	\$248,271	\$16,257	\$16,257	\$16,257	N
<b>Total</b>	<b>11</b>		<b>\$5,924,099</b>	<b>\$308,639</b>	<b>\$305,222</b>	<b>\$250,752</b>	

\* The Monetary Effect amount represents the actual dollar effect of the finding(s) without taking into account any overlapping exceptions that exist in multiple findings. In one instance, the total Monetary Effect exceeded the Amount of Support disbursed to the Beneficiary as additional funding requests were tested.

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

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**Attachment A**

**SL2019SP001**

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# Connection

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

USAC Audit No. SL2019SP001

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## EXECUTIVE SUMMARY

September 21, 2021

Raymond McIlwain, Sr. Director Contracts Compliance  
Connection  
730 Millford Road  
Merrimack, NH 03054

Dear Mr. McIlwain:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Connection (Service Provider), Service Provider Identification Number (SPIN) 143026005, for Funding Year 2017, 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 the Service Provider's management. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (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 type and amount of services provided by the Service Provider to E-Rate program applicants in the states of Massachusetts, Vermont, Missouri, Arkansas, and Texas (selected Beneficiaries), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed four 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 Service Provider, 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

## AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
<p><b>Finding #1: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Equipment Not Requested -</b> The Beneficiary invoiced the E-Rate program for internal connections equipment that was not requested on the Beneficiary's FCC Form 471 nor approved in the Funding Commitment Decision Letter (FCDL).</p>	\$43,859	\$43,859	\$0
<p><b>Finding #2: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Greater than Requested on the FCC Form 471 -</b> The Beneficiary invoiced the E-Rate program for amounts in excess of the amounts requested on the Beneficiary's FCC Form 471.</p>	\$6,995	\$6,995	\$0
<p><b>Finding #3: 47 C.F.R. § 54.513(d) - Failure to Notify USAC of Equipment Transfer -</b> Equipment was not installed at the locations approved in the FCC Form 471, and thus is not eligible for E-Rate support.</p>	\$3,616	\$3,616	\$0
<p><b>Finding #4: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Greater than Requested on the FCC Form 471 -</b> The Beneficiary invoiced the E-Rate program for amounts in excess of the amounts requested on the Beneficiary's FCC Form 471. .</p>	\$3,613	\$196	\$196
<p><b>Total Net Monetary Effect</b></p>	<b>\$58,083</b>	<b>\$54,666</b>	<b>\$196</b>

## USAC MANAGEMENT RESPONSE

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

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

- <https://www.usac.org/e-rate/learn/webinars/> (“E-Rate Invoicing Process”) Please see 26:08 to 28:10, 29:30 to 30:34, and 31:30 to 32:02 for invoicing requirements and 35:00 to 54:50 for related Q&A session.
- [https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2020/12-16-2020-E-rate-Invoicing-Process-Webinar\\_Key-Takeaways.pdf](https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2020/12-16-2020-E-rate-Invoicing-Process-Webinar_Key-Takeaways.pdf) (please see pages 1-3)
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2020/12-16-2020-E-rate-Invoicing-Process-Webinar-Slides.pdf> (please see pages 46-49, 52-53 and 56-57)
- <https://www.usac.org/e-rate/learn/webinars/> (“E-Rate Equipment Transfers”) Please see 06:15 to 27:15 for equipment transfer requirements and 27:15 to 49:00 for related Q&A session.
- [https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/07-27-2021-Procedure\\_Filing\\_Guideline\\_Infograph.pdf](https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/07-27-2021-Procedure_Filing_Guideline_Infograph.pdf) (please see pages 1-3)
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/07-27-2021-E-Rate-Equipment-Transfers-Webinar-Slides.pdf> (please see pages 11-48)
- <https://www.usac.org/e-rate/learn/webinars/> (“E-Rate Pre-Commitment Process”). Please see pages 28-32.

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

FRN	Recovery Amount	Commitment Adjustment Amount
1799045302	\$43,859	\$0
1799017037	\$6,995	\$0
1799108438	\$3,616	\$0
1799025299	\$196	\$196
<b>Total</b>	<b>\$54,666</b>	<b>\$196</b>

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

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

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$1,680,941	\$1,394,135
Basic Maintenance of Internal Connections	\$77,290	\$46,013
<b>Total</b>	<b>\$1,758,231</b>	<b>\$1,440,148</b>

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

The committed total represents 152 FCC Form 471 applications with 209 Funding Request Numbers (FRNs). AAD selected six FRNs of the 209 FRNs,<sup>1</sup> which represent \$532,944 of the funds committed and \$521,752 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 selected Beneficiaries.

### BACKGROUND

The Service Provider provides IT services and advanced technology solutions to customers in 174 countries and its headquarters are located in Merrimack, New Hampshire.

### PROCEDURES

AAD performed the following procedures:

#### A. Eligibility Process

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

#### B. Competitive Bid Process

AAD conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected Beneficiaries' competitive bidding processes. AAD reviewed the Service Provider's contracts (if applicable) with the selected Beneficiaries to determine whether the contracts were properly executed. AAD evaluated the equipment and services requested and

<sup>1</sup> The FRNs included in the scope of this audit were: 1799067039, 1799025299, 1799077022, 1799017037, 1799108438, and 1799045302.

purchased to determine whether the Service Provider provided the equipment and services requested in the selected Beneficiaries' FCC Forms 471. AAD also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar equipment and services to non-residential customers similarly situated to the selected Beneficiaries.

**C. Billing Process**

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

**D. Reimbursement Process**

AAD obtained and examined the BEARs and SPIs submitted for reimbursement for the equipment and services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed service provider bills associated with the BEARs and SPIs for equipment and services provided to the selected Beneficiaries. AAD determined whether the Service Provider issued credits on the service provider bills to the selected Beneficiaries.

## DETAILED AUDIT FINDINGS

**Finding #1:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Equipment Not Requested

### CONDITION

AAD obtained and examined the Beneficiary's (Springfield Super District 56) FCC Form 471, including the FRN Line Items; FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) form; and the corresponding service provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for approved, eligible services for FRN 1799045302. The Beneficiary invoiced the E-Rate program on its BEAR form no. 2719524 for internal connections equipment that was not requested on the Beneficiary's FCC Form 471 nor approved in the Funding Commitment Decision Letter (FCDL).<sup>2</sup>

In its FCC Form 471, the Beneficiary requested and was approved by E-Rate support for Basic Maintenance of Internal Connections (BMIC) services. However, the Beneficiary bought and the Service Provider billed the Beneficiary for 59 AP250 wireless access points, ten SR23-48P switches, and 20 AP550 wireless access points at a total pre-discounted cost of \$71,513. The Beneficiary invoiced E-Rate program for the pre-discounted amount of \$62,655 committed for FRN 1799045302 and provided AAD with a copy of the bill for the equipment purchased to support the BEAR. Because the Beneficiary sought reimbursement for internal connections equipment rather than the BMIC requested in its FCC Form 471,<sup>3</sup> the Beneficiary over-invoiced E-Rate program on its BEAR form by requesting reimbursement for equipment not requested in its FCC Form 471, which resulted in E-Rate program over-disbursing \$43,859 ( $\$62,655 * \text{the Beneficiary's } 70 \text{ percent discount rate}$ ).

### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that the forms submitted to the E-Rate program were accurate or complete.<sup>4</sup> The Beneficiary's Technology Director verbally informed AAD that he was aware that hardware was purchased along with technical support but was not aware that the Beneficiary's consultant had requested BMIC services rather than internal connections in its FCC Form 471.<sup>5</sup>

### EFFECT

The monetary effect of this finding is \$43,859. This amount represents the total discounted amount for the internal connections not requested and unapproved that were invoiced to and disbursed by E-Rate program for FRN 1799045302.

### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$43,859 for FRN 1799045302.

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<sup>2</sup> *Universal Service for Schools and Libraries Billed Entity Applicant Reimbursement Form*, Jul. 2013 (3060-0856), Block 3, at 3 (FCC Form 472).

<sup>3</sup> *Schools and Libraries Universal Service, Services Ordered and Certification Form*, Jul. 2013 (3060-0806), Block 5, Item 11 (FCC Form 471).

<sup>4</sup> 47 C.F.R. § 54.504(a); see also 47 C.F.R. § 54.502 and *In the Matter of Modernizing the E-Rate Program for Schools and Libraries*, Order, WC Docket No. 13-184, DA 16-1023 at Appendix C (September 12, 2016) ("*Eligible Services List*").

<sup>5</sup> Audit status conference call held on August 8, 2019, as documented within the Audit Inquiry Record at Inquiry no. 4.

The Beneficiary must implement controls and procedures to ensure that 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. In addition, the Beneficiary may take advantage of the various outreach efforts provided by the E-Rate program, including applicant training, webinars, newsletters, etc. The Beneficiary can learn more about E-Rate's training opportunities on USAC's website at <https://www.usac.org/E-Rate/trainings/> and keep current on E-Rate news at <https://www.usac.org/E-Rate/resources/news-brief/>.

#### SERVICE PROVIDER RESPONSE

Our team here has reviewed the Findings and Connection acknowledges them and does not have a response.

#### BENEFICIARY RESPONSE

It appears the issue stems from the 2017 vendor documentation from GovConnection. The quotes and invoices were interpreted as basic maintenance for the hardware based on the verbiage used by the vendor. Therefore the application was filed accordingly. During USAC application review the quote documentation was provided to the assigned USAC reviewer who also approved it to be for basic maintenance. For the later USAC review process for BEAR reimbursement the corresponding invoice documentation was submitted as required. The assigned USAC reviewer interpreted the invoice similarly as for basic maintenance, and released the reimbursement to the school district. The BEAR Notification Letter is dated 12/8/17.

After 2018-2019 USAC transitioned from using the company Solix to Maximus for all E-Rate reviews which prompted a number of re-reviews of past reimbursements for basic maintenance. It looks like USAC reassigned the 2017 FRN for a review in February 2019 which was completed in August 2019. From this review, it was determined that it was not basic maintenance services that were provided. Instead, this review determined it was purchase and install of hardware.

For the 2017 Funding Year, we received the selected Category 2 quotes on 4/18/17 in order to create the Form 471 before the 5/11/17 deadline. It is our policy that we require our clients to have the opportunity to review their Forms and ask any questions before signing the Form and certification statement to indicate final approval. On 4/24/21 the Forms were reviewed and signed with approval to certify, which was completed on 5/2/17. On 5/16/2017 Dewaine reached out concerned that the Category 2 Form 471 had not been certified. Jessica from e2e responded with a copy of the signed GovConnection quote and Form 471 to assure the application was certified and for what vendor and service. On 6/9/17 Dewaine sent a new GovConnection quote and asked for the 2017 application to be updated to the new SKUS. A RAL was promptly submitted and processed. On October 6, 2017 USAC completed the review of the application and issued approval via FCDL. The FCDL with funding approved for Basic Maintenance of Internal Connections was emailed to Dewaine and Zach on 10/9/17 after e2e completed the required Form 486. USAC also emails a copy of the FCDL to the vendors listed on the application. Dewaine then sent us the invoice for the services on 10/31/17 prompting the BEAR process on 11/1/2017.

**Finding #2:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced the E-Rate Program for Amounts Greater Than Requested on the FCC Form 471

CONDITION

AAD obtained and examined the Beneficiary’s (Chittenden East Supervisory Union) FCC Form 471, FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) form, and the corresponding service provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for approved, eligible services for FRN 1799017037. The Beneficiary invoiced the E-Rate program on its BEAR form no. 2727175 for a total discounted amount of \$60,790. However, the total discounted amount of approved, eligible services supported by the service provider bills totaled \$53,795, as calculated in the table below, resulting in the E-Rate program over-disbursing \$6,995.<sup>6</sup> The difference is a result of the Beneficiary invoicing E-Rate program for amounts in excess of the amounts requested in the Beneficiary’s FCC Form 471, as allocated in its Recipients of Service details, and approved by the E-Rate program in a Funding Commitment Decision Letter (FCDL).

Location Name	Equipment Type	Amount Requested in FCC Form 471	Amount Per Service Provider Bill	Lesser of Amount Requested or Billed
Brewster Pierce Elementary School	Switches	\$5,052	\$5,052	\$5,052
Brewster Pierce Elementary School	Access Points	\$4,287	\$9,450	\$4,287
Jericho Elementary School	Switches	\$20,208	\$10,104	\$10,104
Jericho Elementary School	Access Points	\$8,622	\$12,825	\$8,622
Mount Mansfield High School	Switches	\$10,104	\$0	\$0
Camel’s Hump Middle School	Switches	\$5,052	\$5,052	\$5,052
Camel’s Hump Middle School	Access Points	\$24,300	\$24,300	\$24,300
Browns River Middle School #17	Switches	\$25,260	\$15,156	\$15,156
Smilie Memorial School	Switches	\$0	\$5,052	\$0
Smilie Memorial School	Access Points	\$8,775	\$8,775	\$8,775
Underhill Central School	Firewall	\$8,310	\$8,310	\$8,310
<b>Total Pre-Discounted Cost</b>				<b>\$89,658</b>
Beneficiary’s Discount Rate				60%
<b>Total Discounted Cost</b>				<b>\$53,795</b>

<sup>6</sup> Instructions for Completing the Universal Service for Schools and Libraries Billed Entity Applicant Reimbursement (BEAR) Form, Jul. 2013 (3060-0856), at 5 (FCC Form 472 Instructions).



#### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure E-Rate program was invoiced only for approved, eligible services for FRN 1799017037.<sup>7</sup> The Beneficiary did not reconcile the bill to its FCC Form 471 prior to submitting its invoice to E-Rate program.

#### EFFECT

The monetary effect of this finding is \$6,995. This amount represents the total amount for the unrequested and unapproved equipment costs that were invoiced to and disbursed by E-Rate program for 1799017037.

#### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$6,995 for 1799017037.

The Beneficiary must implement controls and procedures to ensure that 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. In addition, the Beneficiary may take advantage of the various outreach efforts provided by E-Rate program, including applicant trainings, webinars, newsletters, etc. The Beneficiary can learn more about E-Rate's training opportunities on USAC's website at <https://www.usac.org/e-rate/trainings/>.

#### SERVICE PROVIDER RESPONSE

Our team here has reviewed the Findings and Connection acknowledges them and does not have a response.

#### BENEFICIARY RESPONSE

The finding does seem accurate based on the documentation. This erate (*sic*) filing was submitted by a former employee. Since this employee left, new controls have been put in place to reconcile the funding and invoices to help prevent this from happening in the future.

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### **Finding #3:** 47 C.F.R. § 54.513(d) – Failure to Notify USAC of Equipment Transfer

#### CONDITION

AAD obtained and examined the Beneficiary's (Forsyth School District) FCC Form 471, service provider bills, and the Fixed Asset Listing (FAL) to determine whether all internal connections equipment purchased and received for FRN 1799108438 was installed in the correct locations. The Beneficiary requested and received 99 AP250 wireless access points (WAPs) and 13 AP550 WAPs per the FCC Form 471, service provider bills, and the Beneficiary's FAL. In its FCC Form 471, the Beneficiary allocated the costs of the WAPs evenly among three locations suggesting an even distribution of equipment, which the E-Rate program approved and committed in a Funding Commitment Decision Letter (FCDL). However, per the Beneficiary's FAL, and confirmed during AAD's site visit, the equipment was not installed at the locations as requested in the FCC Form 471, and thus not eligible for E-Rate support, as follows.

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<sup>7</sup> 47 C.F.R. § 54.504(a); see also *Universal Service for Schools and Libraries Billed Entity Applicant Reimbursement Form*, Jul. 2013 (3060-0856), Block 3, at 3 (FCC Form 472).

Location Name	WAP Model	Cost Requested in FCC Form 471	Cost Based on Location in FAL <sup>8</sup>	Difference
Forsyth High School	AP250	\$15,466	\$16,091	\$625
Forsyth High School	AP550	\$2,802	\$5,603	\$2,801
Forsyth Middle School	AP250	\$15,466	\$13,748	(\$1,718)
Forsyth Middle School	AP550	\$2,802	\$1,078	(\$1,724)
Forsyth Elementary School	AP250	\$15,466	\$16,560	\$1,094
Forsyth Elementary School	AP550	\$2,802	\$1,724	(\$1,078)

Although the Beneficiary transferred equipment to eligible locations, the locations in which the equipment was transferred from were not permanently or temporarily closed and the Beneficiary did not notify USAC of the equipment transfers as required by the FCC Rules.<sup>9</sup> In addition, the Beneficiary was required to seek support for category two services on a school-by-school basis using the number of students in each school to determine the eligible pre-discount amount for each school.<sup>10</sup> If the Beneficiary determined that it would not use all of its E-Rate supported category two funds at a particular school and determined that the funds were necessary at another school, it should have submitted a FCC Form 500 to transfer the E-Rate supported funds between its individual school category two budgets. Because the Beneficiary installed equipment in excess of the number of pieces of equipment requested in its FCC Form 471 and did not submit a FCC Form 500, the excess equipment amounting to a pre-discounted cost of \$4,520 (\$625 + \$2,801 + \$1,094) was not approved by E-Rate program and therefore, not eligible for E-Rate support, resulting in the Beneficiary over-invoicing the E-Rate program for \$3,616 (\$4,520 \* the Beneficiary's 80 percent discount rate).

#### CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules requiring notification for the transfer of E-Rate-funded equipment. The Beneficiary's three schools are housed at the same location. Although the Beneficiary determined the equipment needed for the location, the Beneficiary was not aware that they needed to make an adequate accounting of the equipment needed at each school when completing its FCC Form 471.

#### EFFECT

The monetary effect of this Finding is \$3,616. This amount represents the total amount disbursed by E-Rate program for the equipment installed in excess of the cost requested on the FCC Form 471 for FRN 1799108438.

#### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$3,616.

The Beneficiary must implement controls and procedures to ensure that the FCC Form 471 includes an accurate request for services and equipment for each school location. In addition, the Beneficiary may take advantage of the various outreach efforts provided by E-Rate program, including the annual applicant

<sup>8</sup> Cost was determined by multiplying the per unit price of the equipment per the service provider bill and the number of pieces of equipment per location on the FAL.

<sup>9</sup> 47 C.F.R. § 54.513(d).

<sup>10</sup> *In the Matter of Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, para. 104 (2014) (*E-Rate Modernization Order*).

trainings, webinars, newsletters, etc. The Beneficiary can learn more about E-Rate’s training opportunities on USAC’s website at <https://www.usac.org/e-rate/trainings/>.

**SERVICE PROVIDER RESPONSE**

Our team here has reviewed the Findings and Connection acknowledges them and does not have a response.

**BENEFICIARY RESPONSE**

We are now aware of the rule of transferring equipment. Even though it was moved to different rooms in the same locations we will report and follow accurate location of equipment moving forward.

**AAD RESPONSE**

In its response, the Beneficiary stated “[e]ven though it was moved to different rooms in the same location, we will report and follow accurate location of equipment moving forward.” AAD agrees that Forsyth High School, Forsyth Middle School, and Forsyth Elementary School are all in the same location. However, as stated in the Condition, the Beneficiary was required to seek support for category two services on a school-by-school basis using the number of students in each school to determine the eligible pre-discount amount for each school. Because discrepancies were noted between the equipment that was requested for each school per the FCC Form 471 and the equipment that was being used by each school per the FAL, the FCC Form 471 did not accurately reflect the equipment that was needed by each school as required by FCC Rules.

For the reason above, AAD's position on this finding remains unchanged.

**Finding #4:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced the E-Rate Program for Amounts Greater Than Requested on the FCC Form 471

**CONDITION**

AAD obtained and examined the Beneficiary’s (Brooke Charter Schools) FCC Form 471, FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) form, and the corresponding service provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for approved, eligible services for FRN 1799025299. The Beneficiary invoiced the E-Rate program on its BEAR form no. 2763992 for a total discounted amount of \$97,034, which was the amount committed by the E-Rate program for FRN 1799025299. However, the total discounted amount of approved, eligible services supported by the service provider bills totaled \$93,638, which is the Beneficiary’s 85 percent discount rate applied to the following pieces of invoiced equipment shown in the table below.

<b>Equipment Type</b>	<b>Unit Price</b>	<b>Quantity</b>	<b>Pre-Discounted Cost</b>
Access Point	\$666	103	\$68,598
Access Point License	\$184	103	\$18,952
Switch	\$4,135	4	\$16,540
Power Supply	\$822	4	\$3,288
Stacking Cable	\$118	4	\$472
Switch License	\$578	4	\$2,312
<b>Total</b>			<b>\$110,162</b>

The difference is due to the Beneficiary invoicing the E-Rate program without considering and removing equipment billed by the Service Provider in excess of the amount requested on the FCC Form 471. In its FCC Form 471, the Beneficiary requested and the E-Rate program approved support to purchase 103 MR52-HW wireless access points (WAPs) and licenses. However, the Service Provider billed the Beneficiary for 108 MR52-HW WAPs and licenses. During the audit and while providing documentation to AAD, the Beneficiary realized it had over-invoiced the E-Rate program and returned \$3,417 in E-Rate funds to USAC.

**CAUSE**

The Beneficiary did not have adequate controls and procedures in place to ensure E-Rate program was invoiced only for approved, eligible services for FRN 1799025299.<sup>11</sup> The Beneficiary did not reconcile the bill to its FCC Form 471 prior to submitting its invoice to the E-Rate program.

**EFFECT**

The monetary effect for this finding is \$3,613 ([ $\$666$  unit price of access point +  $\$184$  unit price of license] \* 5 WAPs in excess of the quantity approved on the FCC Form 471, at the Beneficiary’s 85 percent discount rate). However, the Beneficiary returned \$3,417 to USAC, and USAC reduced the committed amount by \$3,417. As such, AAD recommends that USAC management seek recovery and an additional commitment adjustment of \$196.

FRN	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
1799025299	\$3,613	\$196	\$196

**RECOMMENDATION**

AAD recommends USAC management issue a commitment adjustment and seek recovery of the amounts identified in the Effect section above. 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 a Funding Commitment Demand Letter. In addition, the Beneficiary may take advantage of the various outreach efforts provided by the E-Rate program, including applicant trainings, webinars, newsletters, etc. The Beneficiary can learn more about E-Rate’s training opportunities on USAC’s website at <https://www.usac.org/e-rate/trainings/>.

**SERVICE PROVIDER RESPONSE**

Our team here has reviewed the Findings and Connection acknowledges them and does not have a response.

**BENEFICIARY RESPONSE**

Since this time the Brooke Charter Schools implemented new policies and procedures to properly manage all facets of the E-Rate Program to align with all rules and regulations of the fund. This

<sup>11</sup> 47 C.F.R. § 54.504(a); see also *Universal Service for Schools and Libraries Billed Entity Applicant Reimbursement Form*, Jul. 2013 (3060-0856), Block 3, at 3 (FCC Form 472).

includes the review of all invoices by the business office, technology office and E-Rate consultant before processing the reimbursement. All line items to be implemented and released according to the approved Funding Request. If you have any further questions regarding these policies, please let us know. Thank you.

## CRITERIA

Finding	Criteria	Description
#1, #2, #4	<i>Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 (2013)</i>	<p>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information and belief, as follows:</p> <p>The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form are for eligible services delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</p> <p>B. The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form were already billed by the service provider and paid by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.</p> <p>C. The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form are for eligible services approved by the fund administrator pursuant to a Funding Commitment Decision Letter.</p> <p>D. I recognize that I may be audited pursuant to this application and will retain for at least five years (or whatever retention period is required by the rules in effect at the time of this certification), after the last day of service delivered in this funding year any and all records that I rely upon to fill in this form.</p> <p>E. I certify that, in addition to the foregoing, this Billed Entity Applicant 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 commitments. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</p>

#1, #2, #4	47 C.F.R. § 54.504(a) (2016).	An eligible school, library or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart, shall, upon entering into a signed contract or other legally binding agreement for eligible services, submit a completed FCC Form 471 to the Administrator.
#3	47 C.F.R. § 54.513(d) (2016).	Eligible services and equipment components of eligible services purchased at a discount under this subpart shall not be transferred, with or without consideration of money or any other thing of value, for a period of three years after purchase, except that eligible services and equipment components of eligible services may be transferred to another eligible school or library in the event that the particular location where the service originally was received is permanently or temporarily closed. If an eligible service or equipment component of a service is transferred due to the permanent or temporary closure of a school or library, the transferor must notify the Administrator of the transfer, and both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years.
#3	<i>In the Matter of Modernizing the E-Rate Program for Schools and Libraries</i> , WC Docket No. 13-184, Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, para. 104 (2014) ( <i>E-Rate Modernization Order</i> ).	Applicants will be required to seek support for category two services on a school-by-school and library-by-library basis, although school districts will use a single district-wide discount rate for all of their schools, as will library systems for all of their libraries. Under this approach, school districts, whether public or made up of more than one independent school under central control, will have the flexibility to request support for any school or group of its schools each funding year, using the number of students in any school getting LAN/WLAN upgrades to determine the maximum eligible pre-discount amount in a given funding year for that school. This flexibility will allow districts to decide how to sequence deployment of LANs/WLANs based on their individual needs.

**Attachment B**

**SL2019SP006**

Available For Public Use

# Craw-Kan Telephone Cooperative, Inc.

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules  
USAC Audit No. SL2019SP006



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## EXECUTIVE SUMMARY

September 15, 2021

Craig R. Wilbert, General Manager  
Craw-Kan Telephone Cooperative, Inc.  
200 N. Ozark St.  
Girard, KS 66743

Dear Mr. Wilbert:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Craw-Kan Cooperative, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143002304, for Funding Year 2018 and 2017 (on a limited basis), 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 the Service Provider's management. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the limited review performance audit.

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

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

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

have not agreed to the procedures and 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

## Audit Results and Commitment Adjustment/Recovery Action

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
<p><b>Finding #1: 47 C.F.R. § 54.503(C) (1) – Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary (Labette) and 54.503(a) and note to paragraph (a) stating in relevant part “the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids”:</b> The Beneficiary’s FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept a higher Internet access capacity than what was stated in the form.</p>	\$123,840	\$123,840	\$123,840
<p><b>Finding #2: 47 C.F.R. § 54.503(C) (1) – Insufficient Information to Enable Bidders to Reasonably Determine the needs of the Beneficiary (Girard) and 54.503(a) and note to paragraph (a) stating in relevant part “the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids” :</b> The Beneficiary’s FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept higher Internet access capacity than what was stated in the form.</p>	\$25,200	\$25,200	\$25,200
<p><b>Finding #3: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Not Reconciled to Service Provider Bills (Pleasanton):</b> The Beneficiary did not properly reconcile the BEAR submission to the underlying service</p>	\$19,200	\$19,200	\$19,200

provider bills, resulting in an overstated request to E-Rate for reimbursement.			
<b>Finding #4: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Not Reconciled to Service Provider Bills (SE Kansas):</b> The Beneficiary did not properly reconcile the BEAR submission to the underlying service provider bills, resulting in an overstated request to E-Rate for reimbursement.	\$14,328	\$14,328	\$14,328
<b>Finding #5: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Not Reconciled to Service Provider Bills (Girard):</b> The Beneficiary did not properly reconcile the BEAR submission to the underlying service provider bills, resulting in an overstated request to E-Rate for reimbursement.	\$16,989	\$16,989	\$16,989
<b>Total Net Monetary Effect</b>	<b>\$199,557</b>	<b>\$199,557</b>	<b>\$199,557</b>

## USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. USAC will review the FCC Forms 470 relating to the competitive bidding issues and if there are other funding request numbers (FRNs) not in the scope of this audit that use those FCC Forms 470 as the establishing FCC Form 470, there may be additional recoveries and/or commitment adjustments. In addition, USAC will review other invoices filed by the Beneficiaries during the audited funding years that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments.

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

- <https://www.usac.org/e-rate/applicant-process/competitive-bidding/>
- [https://www.usac.org/video/sl/2019/application\\_process\\_part1/story\\_html5.html](https://www.usac.org/video/sl/2019/application_process_part1/story_html5.html)
- <https://www.usac.org/video/sl/competitive-bidding-process/story.html>
- <https://www.usac.org/e-rate/learn/webinars/> (“E-rate Invoicing Process”)
- <https://www.usac.org/e-rate/learn/webinars/> (“Eligible Services”)

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

FRN	Recovery Amount	Commitment Adjustment Amount
1799059735	\$123,840	\$123,840
1799059003	\$25,200	\$25,200
1899023892	\$19,200	\$19,200
1899079863	\$14,328	\$14,328
1899024546	\$16,989	\$16,989
<b>Total</b>	<b>\$199,557</b>	<b>\$199,557</b>

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2018 (audit period):<sup>1</sup>

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$457,013	\$8,976
Internal Connections	\$13,066	\$12,641
<b>Total</b>	<b>\$470,079</b>	<b>\$21,617</b>

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

The committed total represents 22 FCC Form 471 applications with 22 Funding Request Numbers (FRNs). AAD selected five FRNs of the 22 FRNs,<sup>2</sup> which represent \$294,196 of the funds committed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2018 applications submitted by the selected Beneficiaries.

### BACKGROUND

The Service Provider provides telecommunication services and its headquarters are located in Girard, Kansas.

### PROCEDURES

AAD performed the following procedures:

#### A. Eligibility Process

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

#### B. Competitive Bid Process<sup>3</sup>

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<sup>1</sup> The audit scope was Funding Year 2018. However the Competitive Bidding testing was expanded to include Funding Year 2017 FRNs.

<sup>2</sup> The FRNs included in the scope of this audit were: 1899056921, 1899023892, 1899079863, 1899024546, and 1899016338.

<sup>3</sup> See *id* Note 1.

AAD obtained and examined documentation to determine whether the selected Beneficiaries properly selected the Service Provider and price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the selected Beneficiaries waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the Service Provider. AAD examined the contracts to determine whether they were properly executed.

Additionally, AAD conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected Beneficiaries' competitive bidding process. AAD evaluated the services requested and purchased to determine whether the Service Provider provided the services requested in the selected Beneficiaries' FCC Form 471. AAD also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar equipment and services to non-residential customers similarly situated to the selected Beneficiaries.

### **C. Billing Process**

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



## DETAILED AUDIT FINDINGS

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**Finding #1:** 47 C.F.R. § 54.503(c)(1) – Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary

### CONDITION

AAD obtained and examined documentation, including the FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form*, the FCC Form 471 *Schools and Libraries Universal Service Description of Services Ordered and Certification Form*, and the contract executed with the Service Provider. AAD inspected the documentation to determine whether the Beneficiary (Lafayette County School District) conducted a fair and open competitive bidding process,<sup>4</sup> including whether the Beneficiary's request for services included sufficient information to enable bidders to reasonably determine the needs of the Beneficiary for FRN 1899056921. The Beneficiary's FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept bids for a higher capacity than what was stated in the form.

In its FCC Form 470 no. 170078098 for Funding Year 2017, the Beneficiary requested "Internet Access and Transport Bundled" with 300 Mbps minimum and maximum capacity. In response to the Beneficiary's FCC Form 470, the Service Provider submitted a bid proposing 1 Gbps Internet access service for a monthly recurring cost of \$3,000. The Beneficiary selected the Service Provider to provide the 1 Gbps Internet access services and executed a 3-year contract on May 5, 2017. In its FCC Form 471 for Funding Year 2017, the Beneficiary requested 1 Gbps Internet access services, which the E-Rate program approved in the Funding Commitment Decision Letter (FCDL) for FRN 1799059735. However, the Beneficiary requested only "Internet Access and Transport Bundled" with 300 Mbps minimum and maximum capacity, and did not request speeds *up to* 1 Gbps on its FCC Form 470. Therefore, the Beneficiary's FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept bids for higher bandwidths (i.e., 1 Gbps). Thus, the Beneficiary did not conduct a fair and open competitive bidding process for FRN 1799059735.<sup>5</sup>

### CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules regarding the competitive bidding process. The Beneficiary believed that it could select a higher speed of Internet access services if offered by a potential service provider and did not review the FCC Rules on providing sufficient information on the FCC Form 470 to enable all eligible bidders to reasonably determine the needs of the Beneficiary when submitting bids.

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<sup>4</sup> 47 C.F.R. § 54.503(a) and note to paragraph (a) stating in relevant part "the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids" (2017).

<sup>5</sup> In its Funding Year 2018 FCC Form 470, the Beneficiary requested "Internet Access and Transport Bundled" with 1 Gbps capacity. Therefore, AAD determined the FCC Form 470 for Funding Year 2018 FRN 1899056921 contained sufficient information to enable bidders to reasonably determine the needs of the Beneficiary.

#### EFFECT

The monetary effect for this finding is \$123,840. This amount represents the full amount committed and disbursed by the E-Rate program for FRN 1799059735.

#### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$123,840 and issue a downward commitment adjustment for \$123,840.

The Beneficiary must implement controls and procedures to ensure it conducts a fair and open competitive bidding process by providing potential service providers with an opportunity to submit a bid proposal based on the needs of the Beneficiary and ensuring it provides sufficient information on the FCC Form 470 to enable potential bidders to reasonably determine the needs of the Beneficiary. The Beneficiary must examine the FCC Rules to familiarize itself with the FCC Rules governing the performance of a fair and open competitive bidding process. In addition, AAD recommends the Beneficiary take advantage of the various outreach efforts provided by the E-Rate program, including the annual Fall Applicant training, webinars, newsletters, etc. The Beneficiary can learn more about the E-Rate program's training opportunities on USAC's website at <https://www.usac.org/e-rate/learn/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>. AAD recommends E-Rate program management implement controls to ensure that services approved in the FCC Form 471 and committed in the FCDL are consistent with services requested in the FCC Form 470.

#### BENEFICIARY RESPONSE

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

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### **Finding #2:** 47 C.F.R. § 54.503(c)(1) – Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary

#### CONDITION

AAD obtained and examined documentation, including the FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form*, the FCC Form 471 *Schools and Libraries Universal Service Description of Services Ordered and Certification Form*, and the contract executed with the Service Provider. AAD inspected the documentation to determine whether the Beneficiary (Girard County School District) conducted a fair and open competitive bidding process,<sup>6</sup> including whether the Beneficiary's request for services included sufficient information to enable bidders to reasonably determine the needs of the Beneficiary, for FRN 1899024546. The Beneficiary's FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept bids for a higher capacity than what was stated in the form.

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<sup>6</sup> 47 C.F.R. § 54.503(a) and note to paragraph (a) stating in relevant part "the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids" (2017).

In its FCC Form 470 no. 170069551 for Funding Year 2017, the Beneficiary requested “Internet Access and Transport Bundled” with 100 Mbps minimum capacity and 500 Mbps maximum capacity. In response to the Beneficiary’s FCC Form 470, the Service Provider submitted a bid proposing 1 Gbps Internet access service for a monthly recurring cost of \$3,000. The Beneficiary selected the Service Provider to provide the 1 Gbps Internet access services and executed a 3-year contract on May 1, 2017. In its FCC Form 471 for Funding Year 2017, the Beneficiary requested 1 Gbps Internet access services, which E-Rate program approved in the Funding Commitment Decision Letter (FCDL) for FRN 1799059003. However, the Beneficiary requested only “Internet Access and Transport Bundled” with 100 Mbps minimum capacity and 500 Mbps maximum capacity, and did not request speeds up to 1 Gbps in its FCC Form 470. Therefore, the Beneficiary’s FCC Form 470 did not contain sufficient information to enable all eligible bidders to reasonably determine that the Beneficiary was seeking or would be willing to accept bids for higher bandwidths (i.e., 1 Gbps). Thus, the Beneficiary did not conduct a fair and open competitive bidding process for FRN 1799059003.<sup>7</sup>

#### CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules regarding the competitive bidding process. The Beneficiary believed that it could select a higher speed of Internet access services if offered by a potential service provider and did not review the FCC Rules on providing sufficient information on the FCC Form 470 to enable all eligible bidders to reasonably determine the needs of the Beneficiary when submitting bids.

#### EFFECT

The monetary effect for this finding is \$25,200. This amount represents the full amount committed and disbursed by E-Rate program for FRN 1799059003.

#### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$25,200 and issue a downward commitment adjustment for \$25,200.

The Beneficiary must implement controls and procedures to ensure it conducts a fair and open competitive bidding process by providing potential service providers with an opportunity to submit a bid proposal based on the needs of the Beneficiary and ensuring it provides sufficient information on the FCC Form 470 to enable potential bidders to reasonably determine the needs of the Beneficiary. The Beneficiary must examine the FCC Rules to familiarize itself with the FCC Rules requiring the performance of a fair and open competitive bidding process. In addition, AAD recommends the Beneficiary take advantage of the various outreach efforts provided by the E-Rate program, including the annual Fall Applicant training, webinars, newsletters, etc. The Beneficiary can learn more about the E-Rate program’s training opportunities on USAC’s website at <https://www.usac.org/e-rate/learn/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>.

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<sup>7</sup> In its Funding Year 2018 FCC Form 470, the Beneficiary requested “Internet Access and Transport Bundled” with 1 Gbps capacity. Therefore, AAD determined the FCC Form 470 for Funding Year 2018 FRN 1899024546 contained sufficient information to enable bidders to reasonably determine the needs of the Beneficiary.

BENEFICIARY RESPONSE

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

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**Finding #3:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Not Reconciled to Service Provider Bills

CONDITION

AAD obtained and examined the FCC Form 472 *Billed Entity Applicant Reimbursement* (BEAR) form and the corresponding service provider bills provided by Pleasanton Unified School District 344 (Beneficiary) to determine whether the E-Rate program was invoiced only for eligible Internet access services for FRN 1899023892. On its FCC Form 471, the Beneficiary requested 1 Gbps Internet access services, which E-Rate program approved in the Funding Commitment Decision Letter (FCDL), at a cost of \$62,638. However, the Beneficiary did not take into account the contract pricing discount of \$2,000 per month that they received from the Service Provider. Therefore, the amount committed for the FRN was overstated by \$19,200 ( $\$2,000 * 12$  months, at the Beneficiary's 80 percent discount rate).

Additionally, the Beneficiary invoiced E-Rate program on its BEAR Form No. 2948438 for a total pre-discounted amount of \$62,638 for FRN 1899023892, which represented twelve months of service at the gross monthly cost of \$5,220. However, the total pre-discounted amount of actual eligible, approved Internet access services supported by the service provider bills totaled \$38,638, which represented twelve months of service at the gross monthly cost of \$5,220 less the Beneficiary's monthly contract pricing discount of \$2,000. The difference between the pre-discounted costs invoiced to E-Rate program by the Beneficiary and the amount of eligible pre-discounted costs supported by the service provider bills was \$24,000. Thus, the Beneficiary over-invoiced E-Rate program by \$19,200 ( $\$24,000 * \text{the Beneficiary's } 80 \text{ percent discount rate}$ ).

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that funds are only committed for and the E-Rate program is invoiced only for the discounted costs of approved and eligible services received from and invoiced by the service provider. The Beneficiary did not adjust their funding request to account for contract pricing discounts, nor did they reduce the contract pricing discounts included in the service provider's bills from the total pre-discounted amount invoiced to E-Rate program.

EFFECT

The monetary effect of this finding is \$19,200. This amount represents the total amount disbursed by E-Rate program for the Beneficiary's discounted portion of the services that were not supported by the service provider bills for FRN 1899023892.

RECOMMENDATION

AAD recommends that USAC management seek recovery of \$19,200 and issue a downward commitment adjustment for \$19,200.

The Beneficiary must implement controls and procedures to ensure E-Rate program is invoiced only for the Beneficiary's discounted portion of the actual costs, less any discounts or rebates, billed by the service

provider for eligible services received from the service provider. In addition, AAD recommends the Beneficiary take advantage of the various outreach efforts provided by the E-Rate program, including the annual Fall Applicant training, webinars, newsletters, etc. The Beneficiary can learn more about the E-Rate program's training opportunities on USAC's website at <https://www.usac.org/e-rate/learn/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>.

#### BENEFICIARY RESPONSE

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

---

**Finding #4:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced the E-Rate Program for Amounts Not Reconciled to Service Provider Bills

#### CONDITION

AAD obtained and examined the FCC Form 472 *Billed Entity Applicant Reimbursement* (BEAR) form and the corresponding service provider bills provided by the Southeast Kansas Educational Service Center (Beneficiary) to determine whether the E-Rate program was invoiced only for eligible Internet access services for FRN 1899079863. On its FCC Form 471, the Beneficiary requested 1 Gbps Internet access services, which E-Rate program approved in the Funding Commitment Decision Letter (FCDL), at a cost of \$78,600. However, the total pre-discounted amount of eligible, approved Internet access services supported by the service provider bills totaled \$54,720, which represented twelve months of service at the gross monthly cost of \$6,560 less the Beneficiary's monthly contract pricing discount of \$2,000. The difference between the pre-discounted costs approved in the FCDL and the amount of eligible pre-discounted costs supported by the service provider bills was \$23,880. Therefore, the amount committed for the FRN was overstated by \$14,328 ( $\$23,880 \times$  the Beneficiary's 60 percent discount rate).

Additionally, the Beneficiary invoiced E-Rate program on its BEAR Form No. 3005691 for a total pre-discounted amount of \$78,600 for FRN 1899079863, which represented twelve months of service at a gross monthly cost of \$6,550. However, the total pre-discounted amount of eligible, approved Internet access services supported by the service provider bills totaled \$54,720, which represented twelve months of service at the gross monthly cost of \$6,560 less the Beneficiary's monthly contract pricing discount of \$2,000. The difference between the pre-discounted costs invoiced to E-Rate program by the Beneficiary and the amount of eligible pre-discounted costs supported by the service provider bills was \$23,880. Thus, the Beneficiary over-invoiced E-Rate program by \$14,328 ( $\$23,880 \times$  the Beneficiary's 60 percent discount rate).

#### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that E-Rate program is invoiced only for the discounted costs of approved and eligible services received from and invoiced by the service provider. The Beneficiary did not reduce the contract pricing discounts included in the service provider's bills from the total pre-discounted amount invoiced to E-Rate program.

#### EFFECT

The monetary effect of this finding is \$14,328. This amount represents the total amount disbursed by E-Rate program for the Beneficiary's discounted portion of the services that were not supported by the service provider bills for FRN 1899079863.

#### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$14,328 and issue a downward commitment adjustment for \$14,328.

The Beneficiary must implement controls and procedures to ensure E-Rate program is invoiced only for the Beneficiary's discounted portion of the actual costs, less any discounts or rebates, billed by the service provider for eligible services received from the service provider. In addition, AAD recommends the Beneficiary take advantage of the various outreach efforts provided by the E-Rate program, including the annual Fall Applicant training, webinars, newsletters, etc. The Beneficiary can learn more about the E-Rate program's training opportunities on USAC's website at <https://www.usac.org/e-rate/learn/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>.

#### BENEFICIARY RESPONSE

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

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**Finding #5:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate for Amounts Not Reconciled to Service Provider Bills

#### CONDITION

AAD obtained and examined the FCC Form 472 *Billed Entity Applicant Reimbursement* (BEAR) form and the corresponding service provider bills provided by Girard Unified School District 248 (Beneficiary) to determine whether the E-Rate program was invoiced only for eligible Internet access services for FRN 1899024546. On its FCC Form 471, the Beneficiary requested 1 Gbps Internet access services, which E-Rate program approved in the Funding Commitment Decision Letter (FCDL), at a cost of \$62,808. However, the total pre-discounted amount of actual eligible, approved Internet access services supported by the service provider bills totaled \$38,538, which represented three months of service at the gross monthly cost of \$5,249 less the Beneficiary's monthly contract pricing discount of \$2,000 and nine months of service at the gross monthly cost of \$5,199 less the Beneficiary's monthly contract pricing discount of \$2,000. The difference between the pre-discounted costs approved in the FCDL and the amount of eligible pre-discounted costs supported by the service provider bills was \$24,270. Therefore, the amount committed for the FRN was overstated by \$16,989 (\$24,270\* the Beneficiary's 70 percent discount rate).

Additionally, the Beneficiary invoiced E-Rate program on its BEAR Form No. 2948571 for a total pre-discounted amount of \$62,808 for FRN1899024546, which represented twelve months of service at the monthly cost of \$5,234 requested in the Beneficiary's FCC Form 471. However, the total pre-discounted amount of actual eligible, approved Internet access services supported by the service provider bills totaled \$38,538, which represented three months of service at the gross monthly cost of \$5,249 less the Beneficiary's monthly contract pricing discount of \$2,000 and nine months of service at the gross monthly cost of \$5,199 less the Beneficiary's monthly contract pricing discount of \$2,000. The difference between the pre-discounted costs invoiced to E-Rate program by the Beneficiary and the amount of eligible pre-discounted costs supported by



the service provider bills was \$24,270. Thus, the Beneficiary over-invoiced E-Rate program by \$16,989 (\$24,270\* the Beneficiary's 70 percent discount rate).

#### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that E-Rate program is invoiced only for the discounted costs of approved and eligible services received from and invoiced by the service provider. The Beneficiary did not reduce the contract pricing discounts included in the service provider's bills from the total pre-discounted amount invoiced to E-Rate program nor did the Beneficiary account for the price differences between the costs per the bills and the costs requested in its FCC Form 471.

#### EFFECT

The monetary effect of this finding is \$16,989. This amount represents the total amount disbursed by E-Rate program for the Beneficiary's discounted portion of the services that were not supported by the service provider bills for FRN 1899024546.

#### RECOMMENDATION

AAD recommends that USAC management seek recovery of \$16,989 and issue a downward commitment adjustment for \$16,989.

The Beneficiary must implement controls and procedures to ensure E-Rate program is invoiced only for the Beneficiary's discounted portion of the actual costs, less any discounts or rebates, billed by the service provider for eligible services received from the service provider. In addition, AAD recommends the Beneficiary take advantage of the various outreach efforts provided by the E-Rate program, including the annual Fall Applicant training, webinars, newsletters, etc. The Beneficiary can learn more about the E-Rate program's training opportunities on USAC's website at <https://www.usac.org/e-rate/learn/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>.

#### BENEFICIARY RESPONSE

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

## CRITERIA

Finding	Criteria	Description
#1, #2	47 C.F.R. § 54.503(c)(1) (2017).	<p>An eligible school, library, or consortium that includes an eligible school or library seeking bids for eligible services under this subpart shall submit a completed FCC Form 470 to the Administrator to initiate the competitive bidding process. The FCC Form 470 and any request for proposal cited in the FCC Form 470 shall include, at a minimum, the following information:</p> <ul style="list-style-type: none"> <li>(i) A list of specified services for which the school, library, or consortium requests bids;</li> <li>(ii) Sufficient information to enable bidders to reasonably determine the needs of the applicant....</li> </ul>
#1, #2	47 C.F.R. § 54.503(a) (2017).	<p>All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.</p> <p>NOTE TO PARAGRAPH (a): The following is an illustrative list of activities or behaviors that would not result in a fair and open competitive bidding process:... the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids.</p>
#3, #4, #5	Billed Entity Applicant Reimbursement (BEAR) Form, FCC Form 472, at Block 3 (2017).	<p>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information and belief, as follows:</p> <p>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486."</p>



**Attachment C**

**SL2021LR001**

Available For Public Use

# Wichita Unified School District 259

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

USAC Audit No. SL2021LR001

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**Finding:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 -  
    Beneficiary Over-Invoiced E-Rate Program for Ineligible Services .....6

## EXECUTIVE SUMMARY

September 9, 2021

Dr. Alicia Thompson, Superintendent  
Wichita Unified School District 259 (Wichita Public Schools)  
903 S. Edgemoor  
Wichita, KS 67218

Dear Dr. Thompson:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Wichita Unified School District 259 (Beneficiary), Billed Entity Number (BEN) 137921, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the Federal Communications Commission (FCC) Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

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

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

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

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

Sincerely,

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

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

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

## Audit Result And Commitment Adjustment/Recovery Action

Audit Result	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
<b>Finding: Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3</b> – The Beneficiary over-invoiced E-Rate program for ineligible services.	\$34,742	\$34,742	\$34,742
<b>Total Net Monetary Effect</b>	<b>\$34,742</b>	<b>\$34,742</b>	<b>\$34,742</b>

### 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 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/learn/webinars/> (“E-Rate Invoicing Process”)
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/eligible-services-overview/>
- <https://www.usac.org/e-rate/applicant-process/invoicing/>

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
1999012790	\$34,742

# PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

## PURPOSE

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

## SCOPE

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

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$4,152,580	\$3,516,381
Internet Access	\$697,682	\$697,682
<b>Total</b>	<b>\$4,850,261</b>	<b>\$4,214,063</b>

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

The committed total represents two FCC Form 471 applications with eight Funding Request Numbers (FRNs). AAD selected four FRNs of the eight FRNs,<sup>1</sup> which represent \$4,269,678 of the funds committed and \$3,636,897 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by Wichita Unified School District 259.

## BACKGROUND

The Beneficiary is a school district located in Wichita, Kansas that serves over 48,000 students.

## PROCEDURES

AAD performed the following procedures:

### A. Application Process

AAD obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

### B. Competitive Bid Process

For FRN 1999012790:  
As the Beneficiary only received one bid for services, AAD obtained and examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services and the 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

<sup>1</sup> The FRNs included in the scope of this audit were: 1999012059, 1999012068, 1999012790 and 1999029335.

month-to-month agreements with the selected service providers. AAD examined the service provider contract to determine whether it was properly executed.

For FRN's 1999012059, 1999012068 and 1999029335:

As the Beneficiary received multiple bids for services, AAD obtained and examined documentation to determine whether all bids received were properly evaluated and the 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 over 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 FINDING

**Finding:** Billed Entity Applicant Reimbursement Form, FCC Form 472, at Block 3 - Beneficiary Over-Invoiced E-Rate Program For Ineligible Services

### CONDITION

AAD obtained and examined the Beneficiary's FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) forms, FCC Form 471 and the corresponding service provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for eligible services for FRN 1999012790. The Beneficiary did not deduct the total pre-discounted costs of ineligible charges for network management licenses from its BEAR Form no. 3064367.<sup>2</sup>

The Beneficiary invoiced the E-Rate program on its BEAR Form no. 3064367 for a total pre-discounted amount of \$1,798,920. However, the total pre-discounted amount of eligible, approved services that was supported by the service provider bills totalled \$1,758,047. The difference between the pre-discounted costs invoiced to the E-Rate program and the pre-discounted costs of eligible services supported by the service provider bills was \$40,873.<sup>3</sup> Thus, AAD concludes that the Beneficiary over-invoiced E-Rate program on its BEAR form by requesting reimbursement for ineligible services in the amount of \$34,742 (\$40,873 \* the Beneficiary's 85% discount rate).<sup>4</sup>

### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that the E-Rate program is invoiced only for the discounted costs of approved, eligible services. In addition, the Beneficiary's service provider bills provided to the Beneficiary did not include an adequate level of billing detail to identify all ineligible charges, as the cost of services delivered were detailed per location rather than per service delivered. The Beneficiary informed AAD that it has experienced turnover and the person responsible for this filing is no longer employed with the applicant. Further, the Beneficiary noted that it has used documentation displaying bundled services throughout the Form 471 and invoicing process. During the audit process, AAD required further documentation to display the unbundled equipment/services and the item l-mgmt3x-ap-k9 (access point license) was discovered.<sup>5</sup>

### EFFECT

The monetary effect of this finding is \$34,742. This amount represents the total amount disbursed by the E-Rate program for ineligible services received by the Beneficiary for FRN 1999012790.

### RECOMMENDATION

AAD recommends that USAC Management seek recovery of \$34,742.

<sup>2</sup> See *Modernizing the E-Rate Program for Schools and Libraries*, DA 18-1173, at para. 9 (2018) (2019 Eligible Services List)

<sup>3</sup> The Service Provider, ConvergeOne, Inc., provided AAD with allocations of the cost per service received by the Beneficiary on May 10, 2021. AAD used the cost allocations to determine the amount of eligible and ineligible services billed to the Beneficiary.

<sup>4</sup> See 47 C.F.R. § 54.504(e) – (e)(1).

<sup>5</sup> Beneficiary's response to audit inquires, received August 26, 2021.

The Beneficiary must implement adequate controls and procedures to ensure the E-Rate program is invoiced only for eligible services. In addition, the Beneficiary should request an adequate level of billing detail from the service provider, including detailed cost of services delivered to identify all eligible and ineligible charges incurred during the funding year. The Beneficiary may learn more about invoicing requirements at <https://www.usac.org/e-rate/applicant-process/invoicing/>.

**BENEFICIARY RESPONSE**

The Beneficiary bid the services and equipment associated with FRN 1999012790 as part of a construction project, in which it is common to require vendors to provide a single (i.e. bundled) price. It has since become clear the (AIA) format used in construction procurements may not be appropriate for E-Rate related filings. While USAC approved the AIA documentation during several 471 and invoicing reviews, the audit process revealed the potential challenges, resulting from the difference in the level of detail, that can exist between the AIA and E-Rate documentation.

The Beneficiary will avoid the use of bundled pricing in the future, in an effort to ensure greater transparency relative to the equipment and services being requested. The Beneficiary has since engaged a consultant to provide additional E-Rate program support.

**CRITERIA**

Criteria	Description
Billed Entity Applicant Reimbursement (BEAR), FCC Form 472, at Block 3 (2013)	I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information and belief, as follows:  A. The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form represent charges for eligible services delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486. B. The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form were already billed by the service provider and paid by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities. C. The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form are for eligible services approved by the fund administrator pursuant to a Funding Commitment Decision Letter. D. I recognize that I may be audited pursuant to this application and will retain for at least five years (or whatever retention period is required by the rules in effect at the time of this certification), after the last day of service delivered in this funding year any and all records that I rely upon to fill in this form. E. I certify that, in addition to the foregoing, this Billed Entity Applicant 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

Criteria	Description
	<p>in compliance with those 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 rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</p>
<p>47 C.F.R. § 54.504(e) - (e)(1)</p>	<p><b>Mixed eligibility services.</b> A request for discounts for a product or service that includes both eligible and ineligible components must allocate the cost of the contract to eligible and ineligible components.</p> <p><b>Ineligible components.</b> If a product or service contains ineligible components, costs must be allocated to the extent that a clear delineation can be made between the eligible and ineligible components. The delineation must have a tangible basis, and the price for the eligible portion must be the most cost-effective means of receiving the eligible service.</p>
<p><i>Modernizing the E-Rate Program for Schools and Libraries</i>, DA 18-1173, at para. 9 (2018) (2019 Eligible Services List)</p>	<p>Third, we decline several requests that additional services or equipment be eligible for E-Rate support under Category Two. For example, Aruba requests that policy management systems and self-provisioned network management be added to the ESL as eligible services. As explained in the <i>FY2016 ESL Order</i>, the Commission determined in the <i>2014 First E-Rate Order</i> that network management and operation services are only eligible when provided by a third party as part of eligible managed internal broadband services.</p>

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

**Attachment D**

**SL2021LR012**

Available For Public Use

# Mendota Unified School District

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

USAC Audit No. SL2021LR012

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**Finding #1:** Service Provider Invoice Form (SPI), FCC Form 474 at Block 3 - Service Provider Over-invoiced E-Rate Program for Costs in Excess of that Requested and Approved on FCC Form 471 .....6

## EXECUTIVE SUMMARY

September 15, 2021

Dr. Paul Lopez, Superintendent  
Mendota Unified School District  
115 McCabe Avenue  
Mendota, CA 93640

Dear Dr. Lopez:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Mendota Unified School District (Beneficiary), Billed Entity Number (BEN) 144044, 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's Commission (FCC) Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

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

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



## Audit Result And Commitment Adjustment/Recovery Action

Audit Result	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
<b>Finding: Service Provider Invoice From (SPI), FCC Form 474 at Block 3</b> - The Service Provider over-invoiced E-Rate program for amounts in excess of approved on FCC Form 471.	\$16,257	\$16,257	\$16,257
<b>Total Net Monetary Effect</b>	<b>\$16,257</b>	<b>\$16,257</b>	<b>\$16,257</b>

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

- <https://www.usac.org/e-rate/learn/webinars/> (“E-Rate Invoicing Process”)
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/eligible-services-overview/>
- <https://www.usac.org/e-rate/service-providers/step-5-invoicing/>

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

FRN	Recovery Amount
1999062079	\$16,257

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

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

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$53,140	\$46,834
Internet Access	\$230,964	\$201,437
<b>Total</b>	<b>\$284,104</b>	<b>\$248,271</b>

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

The committed total represents two FCC Form 471 applications with eight Funding Request Numbers (FRNs). AAD selected three FRNs of the eight FRNs,<sup>1</sup> which represent \$184,881 of the funds committed and \$162,684 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 Mendota, California that serves 3500 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 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 Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers.

<sup>1</sup> The FRNs included in the scope of this audit were: 1999062079, 1999062258 and 1999073923.

**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(s)**

AAD performed a virtual site visit over 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 FINDING

**Finding 1:** Service Provider Invoice Form (SPI), FCC Form 474 at Block 3 - Service Provider Over-invoiced E-Rate Program for Costs in Excess of that Requested and Approved on FCC Form 471

### CONDITION

AAD obtained and examined the FCC Form 474 Service Provider Invoice (SPI) forms, the Beneficiary's (Mendota Unified School District) FCC Form 471, and the corresponding service provider bills provided by the Beneficiary to determine whether the Service Provider invoiced the E-Rate program for the correct discounted costs of Ethernet services requested by the Beneficiary and approved by the E-Rate program for FRN 1999062079. The Service Provider invoiced the E-Rate program on its SPI forms<sup>2</sup> for costs in excess of the amounts approved on the FCC Form 471.

The contracted value of the eligible services noted on the executed contract did not agree to the amount requested on the Beneficiary's FCC Form 471. The Service Provider invoiced the E-Rate program on its SPI forms for a total pre-discounted amount of \$107,202. However, the total pre-discounted amount of eligible, approved service costs supported by the service provider bills totaled \$89,139. The difference between the eligible pre-discounted costs supported by the service provider bills and the approved amount on the FCC Form 471 was \$18,063. Thus, AAD concludes that the Service Provider over-invoiced the E-Rate program by \$16,257 ( $\$18,063 * \text{the Beneficiary's } 90\% \text{ percent discount rate}$ ).

### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure the FCC Form 471 was properly completed. The Beneficiary informed AAD that it understands that the amount requested on the FCC Form 471 was below the contracted amount, however they are not sure why the Service Provider over-invoiced USAC instead of having the Beneficiary pay the difference out-of-pocket.<sup>3</sup>

In addition, the Service Provider did not have adequate controls and procedures in place to ensure that the E-Rate program is invoiced only for the discounted costs of approved, eligible locations and services as requested in Beneficiary's FCC Form 471. The Service Provider informed AAD that it over allocated funding for a contract due to a mid-funding year contract renewal that resulted in a decrease in the monthly recurring charge.<sup>4</sup>

### EFFECT

The monetary effect for this finding is \$16,257. This amount represents the total funds disbursed by the E-Rate program for the Beneficiary's discounted portion of the services in excess of the amount requested on the FCC Form 471 for FRN 1999062079.

### RECOMMENDATION

AAD recommends USAC Management seek recovery of \$16,257.

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<sup>2</sup> SPI invoice nos. related to this finding are 3096441, 3097025, 3093189, 3097292, 3097334, 3097384, 3097856, 3097941, 3098031, 30980996, 3099183, 3108917, 3178437 and 3205216.

<sup>3</sup> Beneficiary responses to audit inquiries, received Aug. 25, 2021.

<sup>4</sup> Service Provider responses to audit inquiries, received Sept. 7, 2021.

The Beneficiary must implement controls and procedures to ensure the FCC Form 471 is properly completed, as required by the FCC Rules. The Beneficiary may learn more about the FCC Form 471 filing at <https://www.usac.org/e-rate/applicant-process/applying-for-discounts/fcc-form-471-filing/>. In the event that the Beneficiary employs the use of a consultant, AAD recommends that the consultant attend E-Rate training to ensure compliance with the E-Rate program rules.

In addition, the Service Provider must implement controls and procedures to ensure it only invoices the E-Rate program for the discounted costs of approved, eligible locations and services as requested on the Beneficiary’s FCC Form 471. The Service Provider may learn more about the FCC Form 474, Service Provider Invoice (SPI), filing at <https://www.usac.org/e-rate/service-providers/step-5-invoicing/fcc-form-474-filing/>.

**BENEFICIARY RESPONSE**

Mendota Unified School District is contracted with Infinity Communications & Consulting, Inc. as their consultant for the E-Rate program. Infinity Communications & Consulting, Inc. no longer employs the employee that made this clerical error and the Client Services Specialist who is now responsible for Mendota’s filing is aware that she needs to double check contract start dates, dollar amounts, contract expiration dates, and the Form 471 before submitting. Infinity Communications & Consulting, Inc. is also in the process of implementing a “triple-check” Quality Assurance Program to ensure this issue does not happen again.

**SERVICE PROVIDER RESPONSE**

Service Provider over-allocated funding for a contract from July 1, 2019 - February 2020, due to a mid-funding year contract renewal MRR decrease. Service Provider is itemizing and allocating funding per school location BEN ID for each contract to ensure that each service in a contract is receiving the appropriate funding. This approach will alleviate any misallocations. Service Provider will refund any over-allocated funding in accordance with USAC recovery.

**CRITERIA**

Criteria	Description
FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2013)	<p>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:</p> <p>A. 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 commitments.</p> <p>B. I certify that the certifications made on the Service Provider Annual Certification Form (FCC Form 473) by this Service Provider are true and correct.</p> <p>C. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</p>

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