



Schools and Libraries Committee

Audit Report Briefing Book

Monday, January 30, 2023

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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 Report Released: October 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Splendid Technology Services, LLC Attachment A	0	<ul style="list-style-type: none"> Not applicable. 	\$1,642,818	\$0	\$0	\$0	N/A
Total	0		\$1,642,818	\$0	\$0	\$0	

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Attachment A

SL2022SP035

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

SPLENDID TECHNOLOGY SERVICES, LLC

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

USAC AUDIT No. SL2022SP035

Cotton

A  **SIKICH**. COMPANY

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
SPLENDID TECHNOLOGY SERVICES, LLC
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

September 27, 2022

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”) audited the compliance of Splendid Technology Services, LLC (Service Provider), Service Provider Identification Number (SPIN) 143030654, for Funding Year (FY) 2020, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of Service Provider management. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services that the Service Provider provided to E-Rate applicants in the state of Texas (selected beneficiaries). It also included performing other procedures we considered necessary to make a determination regarding the Service Provider’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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

responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results

Based on the test work performed, our examination did not disclose any areas of non-compliance with FCC Rules that were in effect during the audit period.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2020. The Service Provider is headquartered in Plano, Texas, and provides internal connections and related services to customers within the state of Texas.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2020 as of June 17, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$1,701,521	\$1,642,818
Managed Internal Broadband Services	\$55,005	\$0
Basic Maintenance of Internal Connections	\$2,520	\$0
Total	<u>\$1,759,046</u>	<u>\$1,642,818</u>

The “amount committed” total represents eight FCC Form 471 *Description of Services Ordered and Certification* applications submitted by beneficiaries for FY 2020 that resulted in 20 Funding Request Numbers (FRNs). We selected a sample of 13 of the FRNs, which represent \$1,646,156 of the funds committed and \$1,642,818 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

We conducted inquiries with the Service Provider and the selected beneficiaries and examined documentation to determine whether equipment was eligible and had been delivered and installed in accordance with FCC Rules. We also conducted inquiries and examined documentation to determine if the Service Provider was eligible to perform services, as well as to obtain general background information.

B. Competitive Bid Process

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

C. Billing Process

We reviewed the FCC Form 472s, *Billed Entity Applicant Reimbursements (BEARs)*, and FCC Form 474s, *Service Provider Invoices (SPIs)*, for which USAC disbursed payment to determine whether the equipment identified on the BEARs and SPIs and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider’s contracts and were eligible in accordance with the E-Rate Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected beneficiaries the lowest corresponding price charged for similar equipment billed to non-residential customers situated similarly to the selected beneficiaries.

D. Reimbursement Process

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

COTTON & COMPANY ASSURANCE AND ADVISORY, LLC



Jason Boberg, CPA, CFE
Partner
Alexandria, VA

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Report Released: November 2022.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Erie 1 BOCES Attachment B	0	<ul style="list-style-type: none"> Not applicable. 	\$4,863,569	\$0	\$0	\$0	N/A
Total	0		\$4,863,569	\$0	\$0	\$0	

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Attachment B

SL2022LR013

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

ERIE 1 BOCES

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

USAC AUDIT No. SL2022LR013

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
ERIE 1 BOCES
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

October 19, 2022

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”) audited the compliance of Erie 1 Board of Cooperative Educational Services (BOCES) (Beneficiary), Billed Entity Number (BEN) 149384, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

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

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

responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results

Based on the test work performed, our audit did not disclose any areas of non-compliance with FCC Rules that were in effect during the audit period.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2020. The Beneficiary is a consortium located in West Seneca, New York, that serves 19 school districts.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2020 as of April 13, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$8,134,472	\$3,149,022
Internet Access	\$2,090,956	\$1,714,547
Total	<u>\$10,225,428</u>	<u>\$4,863,569</u>

The “amount committed” total represents eight FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2020 that resulted in 166 Funding Request Numbers (FRNs). We selected a sample of eight of the FRNs, which represent \$2,585,000 of the funds committed and \$2,187,569 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

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

We obtained and examined documentation to determine whether the Beneficiary’s members complied with the requirements of the Children’s Internet Protection Act (CIPA). Specifically, we obtained and evaluated member Internet Safety Policies and

obtained an understanding of the process by which the members communicated and administered the policies.

B. Competitive Bid Process

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

C. Invoicing Process

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

D. Site Visit

We performed a virtual site visit, reviewed system monitoring screenshots, and conducted inquiries to evaluate the location and use of equipment and services to determine whether the equipment and services were properly delivered and installed, located in eligible facilities, and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary used the funding in an effective manner.

E. Reimbursement Process

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

COTTON & COMPANY LLP ASSURANCE AND ADVISORY LLC



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