



Schools & Libraries Committee

Audit Reports Briefing Book

Monday, July 29, 2024

Available for Public Use

Universal Service Administrative Offices

700 12th Street, NW, Suite 900

Washington, DC

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: April 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment A Kentucky State Department of Education	0	<ul style="list-style-type: none"> Not applicable. 	\$11,176,523	\$0	\$0	\$0	N/A
Attachment B Dallas Independent School District	0	<ul style="list-style-type: none"> Not applicable. 	\$2,730,985	\$0	\$0	\$0	N/A
Total	0		\$13,907,508	\$0	\$0	\$0	

Attachment A

SL2022LR011

*Limited Scope Performance Audit
of
Kentucky State Department of Education's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2020
Conducted for:
Universal Service Administrative Company
USAC Audit No. SL2022LR011*

**REGIS**
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
Suite 910
Washington, DC 20005

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Executive Summary

March 19, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Kentucky State Department of Education (Beneficiary), Billed Entity Number (BEN) 128821, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission (FCC) Rules). Compliance with the FCC's Rules is the responsibility of the Beneficiary's management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

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

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

March 19, 2024

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the directives of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the neutral administrator of the Universal Service Fund (USF). This neutral posture requires that USAC not make policies, interpret regulations, or advocate regarding any matter of Universal Service Fund policy. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate.

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. This Program is designed to support high-speed broadband connectivity by schools and libraries. Participating schools and libraries are responsible for providing additional resources such as end-user equipment (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, and Internet access, through two categories of service. Category One services consist of data transmission services, and Internet access. Category Two services consist of internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Under existing regulations, schools and libraries may receive regulatory discounts for Category One¹ and Category Two² eligible services, depending on the type of service, level of poverty, and the urban/rural status of the population served. Eligible schools, school districts, and libraries may apply for discounts individually, or as part of a consortium.

In the Telecommunications Act of 1934 (as amended in 1996), Congress directed the FCC to implement the Universal Service Fund. Service provider companies enable communications through phone, cable, Internet, or other similar channels. In the late 1990's, Congress and the FCC established programs that work with service providers to achieve universal service. Universal service is the principal that everyone in the United States deserves access to affordable communications services. Service providers support this in two critical ways, by providing

¹ See 47 C.F.R. § 54.502(1).

² See 47 C.F.R. § 54.502(2).

interstate telecommunications and by contributing part of their revenues to the Universal Service Fund. In addition to collecting fees and contributing funding, all service providers are eligible to participate in the Universal Service Fund programs.

Kentucky State Department of Education – Overview

The Beneficiary is a service agency of the Commonwealth of Kentucky. First established in 1998, Kentucky State Department of Education’s statewide consortium provides data transmission and Internet access services to all of Kentucky’s 171 school public districts, including 1,473 schools, more than 400 non-instructional facilities, and representing over 691,000 students.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable requirements of the FCC’s Rules, as well as the FCC’s Orders that govern the E-Rate Program; for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary’s compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$12,234,921	\$11,176,523

Note: The amounts committed and disbursed reflect funding year activity, as of May 16, 2022.

The committed total represents 1 FCC Form 471 application with 24 Funding Request Numbers (FRNs). We selected 7 FRNs of the funded 24 FRNs³, which represents \$ 4,826,062 of the funds committed and \$ 4,539,418 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding year 2020 applications submitted by the Beneficiary.

³ The FRNs included in the scope of this audit were: 2099067374, 2099067367, 2099066997,2099060127, 2099060111, 2099065341, and 2099057984.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed, and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we 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. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

We obtained and examined documentation to determine whether the Beneficiary complied with the E-Rate program's Children's Internet Protection Act (CIPA) requirements. Specifically, we obtained and evaluated the Beneficiary's and the Beneficiary's member school districts' Internet Safety Policy. We obtained an understanding of the process by which the Beneficiary and the Beneficiary's member school districts' communicated and administered the policy.

B. Competitive Bid Process

We 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 was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

D. Reimbursement Process

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

Attachment B

SL2022LR027

*Limited Scope Performance Audit
of
Dallas Independent School District's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2020
Conducted for:
Universal Service Administrative Company
USAC Audit No. SL2022LR027*



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Executive Summary

March 27, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Dallas Independent School District (Beneficiary), Billed Entity Number (BEN) 140542, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission (FCC) Rules). Compliance with the relevant FCC's Rules is the responsibility of the Beneficiary's management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. 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 we considered necessary to make a determination regarding the Beneficiary's compliance with the FCC's Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
March 27, 2024

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the directives of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the neutral administrator of the Universal Service Fund (USF). This neutral posture requires that USAC not make policies, interpret regulations, or advocate regarding any matter of Universal Service Fund policy. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. This Program is designed to support high-speed broadband connectivity by schools and libraries. Participating schools and libraries are responsible for providing additional resources such as end-user equipment (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, and Internet access, through two categories of service. Category One services consist of data transmission services and Internet access. Category Two services consist of internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Under existing regulations, schools and libraries may receive regulatory discounts for Category One¹ and Category Two² eligible services, depending on the type of service, level of poverty, and the urban/rural status of the population served. Eligible schools, school districts, and libraries may apply for discounts individually, or as part of a consortium.

In the Telecommunications Act of 1934 (as amended in 1996), Congress directed the FCC to implement the Universal Service Fund. Service provider companies enable communications through phone, cable, Internet, or other similar channels. In the late 1990's, Congress and the FCC established programs that work with service providers to achieve universal service. Universal service is the principal that everyone in the United States deserves access to affordable communications services. Service providers support this in two critical ways, by providing interstate telecommunications and by contributing part of their revenues to

¹ See 47 C.F.R. § 54.502(1).

² See 47 C.F.R. § 54.502(2).

the Universal Service Fund. In addition to collecting fees and contributing funding, all service providers are eligible to participate in the Universal Service Fund programs.

Dallas Independent School District – Overview

Beneficiary is a public school district located in Dallas, Texas. It is comprised of 230 schools, 160,000 students, and over 10,400 employees.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable requirements of the FCC’s Rules, as well as the FCC’s Orders that govern the E-Rate Program; for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary’s compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$8,739,596	\$2,567,263
Data Transmission and/or Internet Access	\$4,885,413	\$163,722
Total	\$13,625,009	\$2,730,985

Note: The amounts committed and disbursed reflect funding year activity, as of May 16, 2022.

The committed total represents 4 FCC Form 471 applications with 11 Funding Request Numbers (FRNs). We selected 4 FRNs³ of the funded 11 FRNs, which represents \$ 8,341,162 of the funds committed and \$2,730,985 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the Beneficiary.

³ The FRNs included in the scope of this audit were: 2099054483, 2099070649, 2099071967, and 2099078724

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed, and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we 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. We 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

We 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 was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

D. Beneficiary Location

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

E. Reimbursement Process

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

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: May 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment C Gwinnett County Public School District	0	<ul style="list-style-type: none"> Not applicable. 	\$2,500,748	\$0	\$0	\$0	N/A
Attachment D North East Independent School District	0	<ul style="list-style-type: none"> Not applicable. 	\$5,302,901	\$0	\$0	\$0	N/A
Attachment E Ukiah School District 80 R	0	<ul style="list-style-type: none"> Not applicable. 	\$6,656,731	\$0	\$0	\$0	N/A
Attachment F LEARN Lonestar Education and Research Network	0	<ul style="list-style-type: none"> Not applicable. 	\$391,182	\$0	\$0	\$0	N/A
Total	0		\$14,851,562	\$0	\$0	\$0	

Attachment C

SL2022LR019

*Limited Scope Performance Audit
of
Gwinnett County Public School District's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2020
Conducted for:
Universal Service Administrative Company
USAC Audit No. SL2022LR019*



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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

April 12, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Gwinnett County Public School District (Beneficiary), Billed Entity Number (BEN) 127274, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission (FCC) Rules). Compliance with the FCC's Rules is the responsibility of the Beneficiary's management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

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

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

April 12, 2024

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the directives of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the neutral administrator of the Universal Service Fund (USF). This neutral posture requires that USAC not make policies, interpret regulations, or advocate regarding any matter of Universal Service Fund policy. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate.

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. This Program is designed to support high-speed broadband connectivity by schools and libraries. Participating schools and libraries are responsible for providing additional resources such as end-user equipment (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, and Internet access, through two categories of service. Category One services consist of data transmission services, and Internet access. Category Two services consist of internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Under existing regulations, schools and libraries may receive regulatory discounts for Category One¹ and Category Two² eligible services, depending on the type of service, level of poverty, and the urban/rural status of the population served. Eligible schools, school districts, and libraries may apply for discounts individually, or as part of a consortium.

In the Telecommunications Act of 1934 (as amended in 1996), Congress directed the FCC to implement the Universal Service Fund. Service provider companies enable communications through phone, cable, Internet, or other similar channels. In the late 1990's, Congress and the FCC established programs that work with service providers to achieve universal service. Universal service is the principal that everyone in the United States deserves access to affordable communications services. Service providers support this in two critical ways, by providing interstate telecommunications and by contributing part of their revenues to the Universal Service Fund. In addition

¹ See 47 C.F.R. § 54.502(1).

² See 47 C.F.R. § 54.502(2).

to collecting fees and contributing funding, all service providers are eligible to participate in the Universal Service Fund programs.

Gwinnett County Public School District– Overview

The Beneficiary is a public school district located in Gwinnett County, Georgia. It is comprised of 139 schools, 180,000 students and over 11,400 employees.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable requirements of the FCC’s Rules, as well as the FCC’s Orders that govern the E-Rate Program; for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary’s compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$2,651,917	\$2,500,748

Note: The amounts committed and disbursed reflect funding year activity, as of May 16, 2022.

The committed total represents 2 FCC Form 471 applications with 3 Funding Request Numbers (FRNs). We selected all 3 FRNs³, which represent \$2,651,917 of the funds committed and \$2,500,748 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding year 2020 applications submitted by the Beneficiary.

³The FRNs included in the scope of this audit were: 2099028764, 2099028766 and 2099085102

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed, and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we 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. We 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

We 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 was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

D. Reimbursement Process

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

Attachment D

SL2022LR023

*Limited Scope Performance Audit
of
North East Independent School District's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2020*

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2022LR023


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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

April 26, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of North East Independent School District (Beneficiary), Billed Entity Number (BEN) 141546, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission (FCC) Rules). Compliance with the FCC's Rules is the responsibility of the Beneficiary's management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. 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 we considered necessary to make a determination regarding the Beneficiary's compliance with the FCC's Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

April 26, 2024

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the directives of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the neutral administrator of the Universal Service Fund (USF). This neutral posture requires that USAC not make policies, interpret regulations, or advocate regarding any matter of Universal Service Fund policy. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate.

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. This Program is designed to support high-speed broadband connectivity by schools and libraries. Participating schools and libraries are responsible for providing additional resources such as end-user equipment (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, and Internet access, through two categories of service. Category One services consist of data transmission services, and Internet access. Category Two services consist of internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Under existing regulations, schools and libraries may receive regulatory discounts for Category One¹ and Category Two² eligible services, depending on the type of service, level of poverty, and the urban/rural status of the population served. Eligible schools, school districts, and libraries may apply for discounts individually, or as part of a consortium.

In the Telecommunications Act of 1934 (as amended in 1996), Congress directed the FCC to implement the Universal Service Fund. Service provider companies enable communications through phone, cable, Internet, or other similar channels. In the late 1990's Congress and the FCC established programs that work with service providers to achieve universal service.

¹ See 47 C.F.R. § 54.502(1).

² See 47 C.F.R. § 54.502(2).

Universal service is the principal that everyone in the United States deserves access to affordable communications services. Service providers support this in two critical ways, by providing interstate telecommunications and by contributing part of their revenues to the Universal Service Fund. In addition to collecting fees and contributing funding, all service providers are eligible to participate in the Universal Service Fund programs.

North East Independent School District – Overview

The Beneficiary is a public school district located in San Antonio, Texas. It is comprised of 70 schools, 60,000 students, and over 8,000 employees.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable requirements of the FCC’s Rules, as well as the FCC’s Orders that govern the E-Rate Program; for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary’s compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$4,825,230	\$4,825,229
Internal Connections	767,316	477,672
Total	\$5,592,546	\$5,302,901

Note: The amounts committed and disbursed reflect funding year activity, as of May 16, 2022.

The committed total represents 3 FCC Form 471 applications with 57 Funding Request Numbers (FRNs). We selected 5 FRNs of the funded 57 FRNs³ which represents \$4,883,862 of the funds committed and \$4,802,830 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding year 2020 applications submitted by the Beneficiary.

³ The FRNs included in the scope of this audit were: 2099031072, 2099031113, 2099069522, 2099069532 and 2099069534.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed, and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we 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. We 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

We 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 was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

D. Reimbursement Process

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

Attachment E

SL2023LR023

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

UKIAH SCHOOL DISTRICT 80 R
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES

USAC AUDIT No. SL2023LR023



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
UKIAH SCHOOL DISTRICT 80 R
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

April 25, 2024

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:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”), audited the compliance of Ukiah School District 80 R (Beneficiary), Billed Entity Number (BEN) 145148, 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 the beneficiary’s service providers, 2) data used to calculate the discount percentage and the type and amount of equipment and 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

¹ Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC” (herein referred to as “Sikich”).

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

Audit Results and Recovery Action

Based on the test work performed, our 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) 2021. The Beneficiary is a school district located in Ukiah, Oregon, that serves approximately 30 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2021 as of November 17, 2023, the date that we completed our initial fieldwork testing.²

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$1,699	\$1,699
Data Transmission and/or Internet Access	<u>\$6,655,032</u>	<u>\$6,655,032</u>
Total	<u>\$6,656,731</u>	<u>\$6,656,731</u>

The “amount committed” total represents three FCC Form 471, *Description of Services Ordered and Certification*, applications submitted by the Beneficiary for FY 2021 that resulted in three Funding Request Numbers (FRNs). We selected a sample of two of the FRNs,³ which represent \$6,656,299 of the funds committed and \$6,656,299 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 and 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

² On November 10, 2023, we expanded the audit scope to include \$6,654,600 disbursed for FRN 2199024492 after our audit announcement date of March 27, 2023.

³We tested FRNs 2199018543 and 2199024492.

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

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly selected the Service Providers that provided eligible services, and 2) primarily considered the price of the eligible services and equipment in selecting Service Providers. 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 a contract with the selected Service Providers. We examined the Service Provider contracts to determine whether the Beneficiary had properly executed the contracts. In addition, we evaluated the cost-effectiveness of the equipment and services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Form 474s, *Service Provider Invoice* (SPI) Forms, and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreement. 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 physical inventory to evaluate the location and use of equipment to determine whether the equipment was properly delivered and installed, used in an eligible location, and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment for which it had requested funding and evaluated the equipment 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 SPI Forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the SPI Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and were eligible in accordance with the E-Rate program Eligible Services List.

Sikich CPA LLC

Attachment F

SL2024SP012

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

LEARN LONESTAR EDUCATION AND RESEARCH NETWORK

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

USAC AUDIT No. SL2024SP012



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
LEARN LONESTAR EDUCATION AND RESEARCH NETWORK
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

April 22, 2024

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:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of LEARN Lonestar Education and Research Network (Service Provider), Service Provider Identification Number (SPIN) 143033768, for Funding Year (FY) 2022, 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 the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services provided by the Service Provider to E-Rate applicants in the state of Texas (selected Beneficiaries), as well as 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.

¹Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC” (herein referred to as “Sikich”).

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

Audit Results and Recovery Action

Based upon 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 Service Provider complied with FCC Rules for FY 2022. The Service Provider is located in Lubbock, Texas, and provides internet access to customers in Texas.

The following chart summarizes the E-Rate support amounts committed and disbursed for the Service Provider’s FY 2022 services as of January 29, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$399,680	\$391,182
Total	\$399,680	\$391,182

The “amount committed” total represents 10 FCC Form 471, *Description of Services Ordered and Certification* applications, submitted by Beneficiaries for FY 2022 that resulted in 12 Funding Request Numbers (FRNs). We performed testing on 11 of the FRNs,² which represent \$395,900 of the funds committed and \$391,182 of the funds disbursed during the audit period. We performed the audit procedures enumerated below.

A. Eligibility Process

We obtained an understanding of the Service Provider’s processes governing its participation in the E-Rate program. Specifically, we conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether services were E-Rate eligible and had been delivered in accordance with FCC Rules. We obtained an understanding of the Service Provider’s operations and background. We also conducted inquiries and examined documentation to determine if the Service Provider was eligible to provide E-Rate services.

² Specifically, we tested FRNs 2299023729, 2299014636, 2299025127, 2299004388, 2299045064, 2299053379, 2299031408, 2299050865, 2299037128, 2299035606, and 2299041144.

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 services requested and purchased to determine whether the Service Provider provided the services requested in the selected Beneficiaries’ FCC Form 471s.

C. Billing Process

We reviewed the FCC Form 472s, *Billed Entity Applicant Reimbursement (BEAR)* Forms, and FCC Form 474s, *Service Provider Invoice (SPI)* Forms, for which USAC disbursed payment to determine whether the services identified on the BEAR Forms and SPI Forms 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 services charged to similarly situated non-residential customers.

D. Reimbursement Process

We obtained and examined the BEAR Forms and SPI Forms that the Service Provider and the selected Beneficiaries submitted to USAC for reimbursement for the services delivered to the selected Beneficiaries, then performed procedures to determine whether the Service Provider and/or the selected Beneficiaries had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the BEAR Forms and SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

Sikich CPA LLC

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: June 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Attachment G Windstream Communications LLC	0	<ul style="list-style-type: none"> Not applicable. 	\$19,347,318	\$0	\$0	\$0	N/A
Attachment H SWC Telesolutions, Inc.	2	<ul style="list-style-type: none"> No significant findings. 	\$13,596,089	\$175,497	\$19,989	\$0	N
Attachment I Unite Private Networks LLC	0	<ul style="list-style-type: none"> Not applicable. 	\$20,657,942	\$0	\$0	\$0	N/A
Attachment J Zayo Group, LLC	0	<ul style="list-style-type: none"> Not applicable. 	\$25,120,480	\$0	\$0	\$0	N/A
Attachment K Muscogee County School District	3	<ul style="list-style-type: none"> No significant findings. 	\$3,368,293	\$10,395	\$10,395	\$0	N
Total	5		\$82,090,122	\$185,892	\$30,384	\$0	

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

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

Attachment G

SL2022SP031

*Limited Scope Performance Audit
of
Windstream Communications, LLC's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2020*

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2022SP031

**REGIS**
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
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Washington, DC 20005

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Executive Summary

June 5, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Windstream Communications, LLC. (Service Provider), Service Provider Identification Number (SPIN) 143030766, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission [FCC] Rules). Compliance with the relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. 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 Beneficiaries, as well as performing other procedures we considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

June 5, 2024

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the Administrator of the Universal Service Fund (USF). Pursuant to the FCC Rules, USAC may not make policy, interpret unclear provisions of the universal service statute or rules, or interpret the intent of Congress. Where the statute or FCC Rules are unclear or do not address a particular situation, USAC must seek guidance from the Federal Communications Commission. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate.

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. The program is designed to support, among other things, high-speed broadband connectivity both to and within eligible schools and libraries. Participating schools and libraries are responsible for providing additional resources, such as certain end-user equipment and devices (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, Internet access, and internal connections through two categories of service. Category one services include services and equipment needed to support broadband connectivity to schools and libraries.

Category two services include internal connections, managed internal broadband services (MIBS), and basic maintenance of internal connections (BMIC). Under existing E-Rate regulations, the discounts available to eligible schools and libraries range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers. The discounts available are determined by indicators of poverty and urban/rurality designation. Eligible schools, school districts, libraries, and library systems may apply for discounts individually, or as part of a consortium.

Windstream Communications, LLC – Overview

The Service Provider is a subsidiary of Windstream Corporation. Windstream Corporation was formed from the spinoff of Alltel Corporation's landline business and merger with VALOR Communications Group, Inc. The Service Provider is a leading provider of advanced network communications and technology solutions for consumers, small businesses, enterprise organizations, and carrier partners across the U.S. The Service Provider offers bundled services, including broadband, security solutions, voice, and digital TV to consumers. The company also provides data, cloud solutions, unified communications and managed services to business, and enterprise clients. The company supplies core transport solutions on a local and long-haul fiber-optic network spanning approximately 125,000 miles.

Objective

The objective of this performance audit was to determine whether the Service Provider complied with the applicable FCC Rules that governed the E-Rate program for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Service Provider's compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received by the Service Provider during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$24,667,707	\$19,328,389
Internal Connections	\$15,017	\$15,017
Managed Internal Broadband Services	\$4,694	\$3,912
Total	\$24,687,418	\$19,347,318

Note: The amounts committed and disbursed reflect funding year activity as of May 16, 2022.

The committed total represents 598 FCC Form 471 applications with 598 Funding Request Numbers (FRNs). We selected 14 FRNs of the funded 598 FRNs¹ which represent \$9,018,354 of the funds committed and \$6,082,920 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the Beneficiaries.

¹ The FRNs included in the scope of this audit were: 2099002708, 2099081201, 2099022499, 2099022497, 2099056678, 2099086544, 2099053913, 2099068089, 2099067902, 2099032568, 2099032555, 2099076713, 2099079684, and 2099078026.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Eligibility Process

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

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

C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoice (SPIs) Forms, for which payment was disbursed by USAC to determine whether the services identified on the forms, 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. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to similarly situated non-residential customers for similar services. In addition, we 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 support and to confirm it did not provide rebates, including free services or products.

D. Reimbursement Process

We obtained and examined the SPI Forms submitted for reimbursement for services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed Service Provider bills associated with the SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

*Limited Scope Performance Audit
of
SWC Telesolutions, Inc.'s*

*Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules*

for Funding Year 2020

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2022SP032


MANAGEMENT CONSULTANTS &
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Executive Summary

June 5, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of SWC Telesolutions, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143032751, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission [FCC] Rules). Compliance with the relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. 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 Beneficiary, as well as performing other procedures we considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

June 5, 2024

Audit Results Recovery Action

Audit Results	Monetary Effect	Recommended Recovery
<u>Finding #1: 47 C.F.R. §54.523 (2019)- Untimely Payment to the Service Provider.</u> The selected Beneficiary paid the non-discounted portion of one bill more than 90 days after the delivery of service.	\$155,508	\$0
<u>Finding #2: 47 C.F.R § 54.505(b) (2019) - Service Provider Billed the Selected Beneficiary using a Previously Approved Discount Rate instead of the Current Discount Rate</u> Due to a discount rate adjustment, the Service Provider will need to credit the selected Beneficiary on the next bill.	\$19,989	\$19,989
Total Net Monetary Effect	\$175,497	\$19,989

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC may conduct expanded reviews on funding requests and applications to ensure compliance with E-Rate program rules. These expanded reviews may result in additional recoveries and/or commitment adjustments that were not related to the original scope of this audit.

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

- <https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/>
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoice Training Webinar, February 10, 2022)
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoicing Process: Office Hour Webinar, July 21, 2022)

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

FRN	Recovery Amount
2099078989	\$19,989

Background, Objective, Scope, and Procedures

Background

SWC Telesolutions, Inc. – Overview

The Service Provider provides Dedicated Internet Access (DIA) services providing synchronous upload and download speeds up to 10 Gbps; Bandwidth scalability from 3 Mbps to 10 Gbps through their “last mile” providers and up to 100 Gbps in their service territories; and interoffice connectivity through Ethernet, Optical Wave, and MPLS using Point-to-Point, Point-to-Multipoint, or Fully Meshed services. These services are provided to customers in rural tribal communities in New Mexico and Arizona. The Service Provider is headquartered in Albuquerque, New Mexico.

Objective

The objective of this performance audit was to determine whether the Service Provider complied with the applicable FCC Rules that governed the E-Rate program for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Service Provider’s compliance with the FCC Rules. These rules govern E-Rate commitment amounts and disbursements received by the Service Provider during Funding Year 2020. The testing and analysis conducted we is detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$36,070,560	\$13,596,089

Note: The amounts committed and disbursed reflect funding year activity as of May 16, 2022.

The committed total represents eight of the selected Beneficiary’s FCC Form 471, *Description of Services Ordered and Certification*, applications with eight Funding Request Numbers (FRNs). We selected one FRN¹ of the funded eight FRNs which represents \$35,382,029 of the funds committed and \$13,424,261 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the selected Beneficiary.

¹ The FRN included in the scope of this audit is: 2099078989.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Eligibility Process

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

B. Competitive Bid Process

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

C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoice (SPIs) Forms, for which payment was disbursed by USAC to determine whether the services identified on the forms, 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. We also examined documentation to determine whether the Service Provider charged the selected Beneficiary the lowest corresponding price charged to similarly situated non-residential customers for similar services. In addition, we examined documentation to determine whether the Service Provider billed the selected Beneficiary for the non-discounted portion of eligible equipment and services purchased with universal service support and to confirm it did not provide rebates, including free services or products.

D. Reimbursement Process

We obtained and examined the SPI Forms submitted for reimbursement for services delivered to the selected Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed Service Provider bills associated with the SPI Forms for services provided to the selected Beneficiary. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiary.

Detailed Audit Findings

Finding #1: 47 C.F.R. § 54.523 – Untimely Payments to the Service Provider

Condition:

We audited Service Provider bills and checked payments to determine whether the selected Beneficiary paid its non-discounted share of services purchased with E-Rate program funds. The selected Beneficiary did not pay its non-discounted share to the Service Provider within the timeframes that the FCC considers to be reasonable and timely (e.g., within 90 days after delivery of service) for one of the Service Provider’s bills,² as noted below:

FRN	Invoice Number	Service Provider Bill Date	Payment Date
2099078989	INV-02 Revised	11/12/2021	3/30/2022

The selected Beneficiary did pay the full amount of the bill less the taxes because the Service Provider was to pay the taxes back to the selected Beneficiary. However, the selected Beneficiary did not pay its non-discounted share in a timely manner, as required by the FCC Rules (criteria 1 and 2).

Cause:

The selected Beneficiary did not have an adequate process in place to ensure Service Provider bills for discounted services were paid in a timely manner (e.g., within 90 days after delivery of service).

Effect:

The monetary effect of this finding is \$155,508. There is no recommended recovery for this finding as the selected Beneficiary paid its non-discounted share to the Service Provider prior to the completion of the audit. However, by not making its payments in a timely manner, there is an increased risk that the selected Beneficiary may fail to pay its non-discounted share as required by the FCC Rules.

Recommendation:

The selected Beneficiary must implement controls and procedures to ensure that it pays its non-discounted share within a reasonable timeframe (e.g., within 90 days after delivery of service), as required by the FCC Rules.

Beneficiary Response:

The selected Beneficiary agreed with the finding and recommendation. Refer to Appendix 1 for the entire response.

Auditor Response:

The selected Beneficiary agreed with the finding and recommendation. Therefore, no further response is necessary

² See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, FCC 04-190, para. 24 (2004).

Finding #2: 47 C.F.R § 54.505(b) - Service Provider Billed the Selected Beneficiary using a Previously Approved Discount Rate instead of the Current Discount Rate

Condition:

We obtained and examined service provider bills to determine whether the Service Provider billed the selected Beneficiary at the proper discount rate. The selected Beneficiary was billed at the discount rate of 94.31 percent for the bill identified below. Subsequently, an appeal the selected Beneficiary submitted to the E-Rate program for a discount rate of 95 percent was approved.³ However, the Service Provider did not apply the approved updated discount rate.

FRN	Bill Number	Service Provider Bill Date	Amount to Credit the Beneficiary
2099078989	INV-02 Revised	11/12/2021	\$19,989

After our audit began and the error was identified, the Service Provider billed the selected Beneficiary. However, it did not credit the selected Beneficiary for the amount owed.

Cause:

The Service Provider did not have an adequate process in place to ensure the discount rate was properly applied and the selected Beneficiary was credited.

Effect:

The monetary effect of this finding is \$19,989. We recommend seeking recovery as the Service Provider has not credited the selected Beneficiary for the difference from the discount rate adjustment.

Recommendation:

We recommend that the Service Provider credit the selected Beneficiary on a future bill for \$19,989 resulting from the change in discount rate. The Service Provider should implement policies to ensure that billing is based on the most recently approved discount rates and any credits due to Beneficiary are issued promptly.

Service Provider Response:

The Service Provider agreed with the finding and recommendation. Refer to Appendix 2 for the entire response.

Auditor Response:

The Service Provider agreed with the finding and recommendation. Therefore, no further response is necessary.

³ Revised Funding Commitment Decision Letter, Post Commitment Wave 98 for Billed Entity Number 17023688, FRN Number 2099078989, dated March 25, 2022

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.523	An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts.
#1	<i>Schools & Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, FCC 04-190, 19 FCC Rcd 15808, 15816, ¶ 24 (2004) (Fifth Report and Order)</i>	While our rules do not set forth a specific timeframe for determining when a beneficiary has failed to pay its non-discounted share, we conclude that a reasonable timeframe is 90 days after delivery of service. Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of our rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services. We believe, based on USAC's experience to date as Administrator, that a relatively short period – comparable to what occurs in commercial settings – should be established in which Beneficiary are expected to pay their non-discounted share after completion of delivery of service. . . . Accordingly, we clarify prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates our rule that the beneficiary must pay its share.
#2	47 C.F.R. §54.505(b)	. . . the discounts available to eligible schools and libraries shall range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers, as defined in this subpart. The discounts available to a particular school, library, or consortium of only such entities shall be determined by indicators of poverty and high cost.

Appendix 1: Beneficiary Response



The Navajo Nation **DR. BUU NYGREN** *PRESIDENT*
Yideeskáádi Nitsáhákees **RICHELLE MONTOYA** *VICE PRESIDENT*

BROADBAND OFFICE
Office of the President and Vice President

MEMORANDUM

TO : Universal Service Administration Company

FROM : 
Sonia Nez, Department Manager I
Navajo Nation Broadband Office

SUBJECT : Sacred Wind Communications - Audit Finding Response

DATE : 01/08/2024

I do concur with the findings. Due to the transition of duties from the Navajo Nation Telecommunications and Utilities (NNTU) to the Navajo Nation Broadband office (NNBO) there was a delay in processing payments for the contracts we inherited from the NNTU. We are in the process of developing a system to ensure payments are made in a timely manner. In addition, the Navajo Nation does have a long process of checks and balances to ensure funds are being utilized for its intended purpose.

If you should have any questions, please contact me at sonianez@navajonnn.gov. Thank you.

Post Office Box 7440 • Window Rock, Arizona 86515 • Phone: (928) 810-9203

Appendix 2: Service Provider Response



January 8, 2024

Regis & Associates, PC
1420 K St NW Ste 910
Washington, DC 20005

We are providing this letter in connection with Regis Associates, PC's limited scope performance audit of SWC Telesolutions, Inc, Universal E-Rate program for the twelve month period ended June 30, 2021, (Funding Year 2020). This letter is in direct response to the finding and recommendations that were presented to us related to the audit noted above.

We would like to formally concur on these findings and recommendations. We also plan to add additional controls moving forward with the recipient to help improve the process as much as possible.

Sincerely,

Rob Bresnahan, CFO
Sacred Wind Telesolutions

Attachment H

SL2022SP032

Attachment I

SL2022SP033

*Limited Scope Performance Audit
of
Unite Private Networks, LLC's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2020*

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2022SP033


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
Suite 910
Washington, DC 20005

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Executive Summary

June 5, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Unite Private Networks, LLC (Service Provider), Service Provider Identification Number (SPIN) 143029868, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission [FCC] Rules). Compliance with the relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. 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 Beneficiaries, as well as performing other procedures we considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

June 5, 2023

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the Administrator of the Universal Service Fund (USF). Pursuant to the FCC Rules, USAC may not make policy, interpret unclear provisions of the universal service statute or rules, or interpret the intent of Congress. Where the statute or FCC Rules are unclear or do not address a particular situation, USAC must seek guidance from the Federal Communications Commission. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate.

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. The program is designed to support, among other things, high-speed broadband connectivity both to and within eligible schools and libraries. Participating schools and libraries are responsible for providing additional resources, such as certain end-user equipment and devices (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, Internet access, and internal connections through two categories of service. Category one services include services and equipment needed to support broadband connectivity to schools and libraries.

Category two services include internal connections, managed internal broadband services (MIBS), and basic maintenance of internal connections (BMIC). Under existing E-Rate regulations, the discounts available to eligible schools and libraries range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers. The discounts available are determined by indicators of poverty and urban/rurality designation. Eligible schools, school districts, libraries, and library systems may apply for discounts individually, or as part of a consortium.

¹ See 47 C.F.R. § 54.502(1).

² See 47 C.F.R. § 54.502(2).

Unite Private Networks, LLC – Overview

The Service Provider provides fiber-optic communications infrastructure services to schools, governments, carriers, data centers, hospitals, and enterprise business customers. Service offerings include dark and lit fiber, private line, optical ethernet, Internet access, fiber voice and other customized solutions. The Service Provider currently serves over 300 communities across 21 states, with 10,000 fiber route miles and 7,500 end customer sites. The Service Provider is also one of the largest providers of fiber WAN services to k-12 school districts in the U.S, serving more than 250 school districts, connecting nearly 2 million students. Headquartered in the Kansas City, Missouri metro area. The Service Provider’s current investors include Cox Communications, Ridgmont Equity Partners, and the company’s employees.

Objective

The objective of this performance audit was to determine whether the Service Provider complied with the applicable FCC Rules that governed the E-Rate program for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Service Provider’s compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received by the Service Provider during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$26,373,343	\$20,657,942

Note: The amounts committed and disbursed reflect funding year activity as of May 16, 2022.

The committed total represents 249 FCC Form 471 applications with 316 Funding Request Numbers (FRNs). We selected 14 FRNs of the funded 316 FRNs³ which represent \$10,666,240 of the funds committed and \$7,281,213 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the Beneficiaries.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

³ The FRNs included in the scope of this audit were: 2099070649, 2099051478, 2099063492, 2099063603, 2099042218, 2099008240, 2099002788, 2099000873, 2099035593, 2099053309, 2099008677, 2099038398, 2099010838, and 2099034759.

A. Eligibility Process

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

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

C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoice (SPIs) Forms, for which payment was disbursed by USAC to determine whether the services identified on the forms, 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. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to similarly situated non-residential customers for similar services. In addition, we 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 support and to confirm it did not provide rebates, including free services or products.

D. Reimbursement Process

We obtained and examined the SPI Forms submitted for reimbursement for services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed Service Provider bills associated with the SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

Attachment J

SL2022SP034

*Limited Scope Performance Audit
of
Zayo Group, LLC's*

*Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules*

for Funding Year 2020

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2022SP034



MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

1420 K Street, NW
Suite 910
Washington, DC 20005

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Executive Summary

June 5, 2024

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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Zayo Group, LLC (Service Provider), Service Provider Identification Number (SPIN) 143032751, for the twelve-month period ended June 30, 2021, (Funding Year 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, the Federal Communications Commission [FCC] Rules). Compliance with the relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. 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 Beneficiaries, as well as performing other procedures we considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Certain information may have been omitted from this report concerning communications with USAC's 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,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

June 5, 2024

Background, Objective, Scope, and Procedures

Background

E-Rate Program – Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC, in accordance with the provisions of 47 C.F.R. Part 54. Pursuant to governing regulations, USAC serves as the Administrator of the Universal Service Fund (USF). Pursuant to the FCC Rules, USAC may not make policy, interpret unclear provisions of the universal service statute or rules, or interpret the intent of Congress. Where the statute or FCC Rules are unclear or do not address a particular situation, USAC must seek guidance from the Federal Communications Commission. USAC executes its mission through the following four support mechanisms:

- High Cost;
- Lifeline;
- Rural Health Care;
- and E-Rate.

The purpose of these four support mechanisms is to ensure that all people, regardless of location or income level, have affordable access to telecommunications and information services throughout our nation.

The E-Rate program is one of four support mechanisms funded through a Universal Service contributions fee imposed on telecommunications companies that provide interstate and/or international telecommunications services. The program is designed to support, among other things, high-speed broadband connectivity both to and within eligible schools and libraries. Participating schools and libraries are responsible for providing additional resources, such as certain end-user equipment and devices (computers, telephone handsets, and modems), software, professional development, and other resources that are necessary to fully enable and utilize such connectivity.

The E-Rate program provides discounts to assist eligible schools and libraries in obtaining affordable telecommunications equipment and/or services, Internet access, and internal connections through two categories of service. Category one services include services and equipment needed to support broadband connectivity to schools and libraries.

Category two services include internal connections, managed internal broadband services (MIBS), and basic maintenance of internal connections (BMIC). Under existing E-Rate regulations, the discounts available to eligible schools and libraries range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers. The discounts available are determined by indicators of poverty and urban/rurality designation. Eligible schools, school districts, libraries, and library systems may apply for discounts individually, or as part of a consortium.

Zayo Group, LLC – Overview

The Service Provider provides data transmission infrastructure, with dense, high-capacity metro fiber networks worldwide. The Service Provider is headquartered in Boulder, Colorado.

Objective

The objective of this performance audit was to determine whether the Service Provider complied with the applicable FCC Rules that governed the E-Rate program for Funding Year 2020.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Service Provider's compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received by the Service Provider during Funding Year 2020. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$31,147,634	\$25,120,480

Note: The amounts committed and disbursed reflect funding year activity as of May 16, 2022.

The committed total represents 220 FCC Form 471 applications with 341 Funding Request Numbers (FRNs). We selected 20 FRNs of the funded 341 FRNs¹ which represent \$15,783,157 of the funds committed and \$12,881,737 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the Beneficiaries.

¹ The FRNs included in the scope of this audit were: 2099069522, 2099048563, 2099014486, 2099008446, 2099041348, 2099057324, 2099056867, 2099083126, 2099041551, 2099005864, 2099070259, 2099017843, 2099081704, 2099029162, 2099065669, 2099022046, 2099059477, 2099085216, 2099081715, 2099064043

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed to; and received for Funding Year 2020, as of May 16, 2022. These procedures are enumerated below:

A. Eligibility Process

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

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

C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoice (SPIs) Forms, for which payment was disbursed by USAC to determine whether the services identified on the forms, 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. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to similarly situated non-residential customers for similar services. In addition, we 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 support and to confirm it did not provide rebates, including free services or products.

D. Reimbursement Process

We obtained and examined the SPI Forms submitted for reimbursement for services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed Service Provider bills associated with the SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

Attachment K

SL2023LR004

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

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

USAC AUDIT No. SL2023LR004



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
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CRITERIA 9



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

Executive Summary

January 17, 2024

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:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Muscogee County School District (Beneficiary), Billed Entity Number (BEN) 127545, 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 the Beneficiary. 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 relevant FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed three detailed audit findings, discussed in the Audit Results and Recovery Action section below. For the purpose of this

¹Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC” (herein referred to as “Sikich”).

report, a “finding” is a condition that shows evidence of non-compliance with relevant FCC Rules that were in effect during the audit period.

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

Audit Results and Recovery Action

Based on the test work performed, our examination disclosed that the Beneficiary and one of its Service Providers did not comply with FCC Rules, as set forth in the three detailed audit findings discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	Recommended Recovery
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Services Delivered to Locations Not Requested by the Beneficiary. The selected Service Provider invoiced the E-Rate program for services delivered at locations that the Beneficiary did not include in its FCC Form 471 application.	\$5,997	\$0	\$5,997
Finding No. 2, 47 C.F.R. § 54.516(a) (2021) – Missing Equipment and Lack of Documentation of Equipment Received. The Beneficiary did not accurately account for all equipment purchased with E-Rate funds.	\$3,952	\$0	\$3,952
Finding No. 3, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2021) – Beneficiary Invoiced the E-Rate Program for Ineligible Equipment. The Beneficiary did not remove ineligible costs when preparing the BEAR Forms for equipment invoiced to the E-Rate program.	<u>\$446</u>	<u>\$0</u>	<u>\$446</u>
Total Net Monetary Effect	<u>\$10,395</u>	<u>\$0</u>	<u>\$10,395</u>

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC may conduct expanded reviews on funding requests and applications to ensure compliance with E-Rate program rules. These expanded reviews may result in additional recoveries and/or commitment adjustments that were not related to the original scope of this audit.

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 selected Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2022/E-Rate-Invoice-Training-Webinar-2022-Slides.pdf>
- https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/Procedure_Filing_Guideline_Infograph_Rev.02.23.23-002.pdf

USAC records show the Beneficiary and the Service Provider are currently subscribed to the E-Rate News Brief. USAC encourages the Beneficiary and selected Service Provider to review the News Brief as it contains valuable information about the E-rate Program.

FRN	Recovery Amount
2199000030	\$5,997
2199059482	\$4,398
Total Monetary Effect	<u>\$10,395</u>

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2021. The Beneficiary is a public school district located in Muscogee County, Georgia, with an average student enrollment for grades K-12 of 30,869 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2021 as of November 3, 2023, the date that we completed our initial fieldwork testing.²

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$4,225,668	\$2,979,990
Data Transmission and/or Internet Access	<u>388,303</u>	<u>388,303</u>
Total	<u>\$4,613,971</u>	<u>\$3,368,293</u>

² We expanded the audit scope on November 3, 2023, to include \$673,329 disbursed for FRN 2199059482 after our audit announcement date (July 5, 2023).

The “amount committed” total represents two FCC Form 471, *Description of Services Ordered and Certification*, applications submitted by the Beneficiary for FY 2021 that resulted in two Funding Request Numbers (FRNs). We selected both FRNs, which represent \$4,613,971 of the funds committed and \$3,368,293 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 conducted inquiries and performed direct observation/inspection of the Beneficiary’s documentation to determine whether it was eligible to receive funds and had the necessary resources to support the equipment and services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible equipment and services as the primary factor when selecting its Service Providers. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC’s website before signing contracts or executing month-to-month agreements with its 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 Forms 472, BEAR Forms, and FCC Forms 474, SPI Forms, and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Site Visit

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

E. Reimbursement Process

We obtained and examined equipment and service invoices that the Beneficiary and Service Provider submitted to USAC for reimbursement and performed procedures to

determine whether the Beneficiary and Service Provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR Forms and SPI Forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR Forms 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.

Detailed Audit Findings

Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Services Delivered to Locations Not Requested by the Beneficiary

Condition

One of the Beneficiary’s Service Providers invoiced the E-Rate program for services delivered to a location that the Beneficiary did not include in its FCC Form 471 application for FRN 2199000030. Specifically, the bills supporting the SPI Forms contained charges for services provided to the Steve Butler STEAM Center (BEN 17019837), which was not included in the Beneficiary’s FCC Form 471 application. Because the Service Provider did not appropriately remove charges related to this entity before submitting the SPI Forms to USAC, the Service Provider overstated the invoiced total eligible charges by \$6,663.

Cause

The Service Provider did not ensure that its invoices only included charges for entities that the Beneficiary included in its funding request. The Beneficiary confirmed that this location was erroneously left off the FCC Form 471 funding application.

Effect

The monetary effect of this finding is \$5,997 (\$6,663 multiplied by the Beneficiary’s 90 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2199000030	\$5,997	\$5,997
Total	\$5,997	\$5,997

Recommendations

We recommend that:

1. The E-Rate program seek recovery of the amount identified in the Effect section above.

2. The Service Provider implement controls and procedures to ensure that its invoices only include charges for entities that the Beneficiary includes in its FCC Form 471 funding applications.
3. The Beneficiary ensure its FCC Form 471 includes all recipients for which it intends to obtain funding.

Service Provider Response

The company has reviewed its records and public information relevant to the proposed finding. The company points out that the contract between the company and beneficiary listed the Steve Butler STEAM Center, and service was delivered to that location, and the beneficiary included the Steve Butler STEAM Center in the “Related School District NIFs” portion of its relevant Form 471, but failed to include it in the “Recipients of Services” list on the Item 21. While a cursory look at the Form 471 would show that location listed, it unfortunately was not listed in the portion of the Form 471 necessary to be E-Rate eligible.

In the past year the company’s E-Rate sales and delivery tracking operations have been better integrated with its accounting teams to better coordinate on service delivery changes and other issues affecting E-Rate customers. The company now utilizes specific personnel to more closely monitor Forms 471 and compare them against the relevant sales contract and service delivery information, including ensuring that the locations are listed in the list of Recipients of Services. The company reaches out to customers proactively when services or other items are missing or incorrect on Form 471s in order to make sure that corrections are undertaken in a timely manner. The company also utilizes standard contracts specific to its E-Rate sales, which we believe better reflects service delivery and location information, which also make comparisons to Form 471s an easier exercise. The company believes that the significant upgrades it has undertaken in the past few years will significantly reduce manual management of E-Rate invoicing, and allow the company to more quickly identify errors so that they can be managed more effectively.

Beneficiary Response

The Steve Butler STEAM Center is an E-Rate eligible entity; however, it was inadvertently left off of the Funding Year 2021 FCC Form 471 application for FRN 2199000030 in error. To ensure that this mistake is not repeated, we will verify that all eligible entities are included on the FCC Form 471. As an added control, two additional points of contact will be added to our process of completing the Form 471. Ronald Pleasant, CIO and Casey Hergett, Senior Director of Enterprise Technologies will receive a draft of the Form 471 prior to submission. They will be tasked with reviewing the form and verifying that all information is correct and all eligible entities are included. Once verified, the Form 471 will then be submitted. Monthly invoices received from the vendor will be reviewed to confirm that the entities are billed correctly and that costs for any items not listed in the Form 471 are excluded from discount calculations.

Finding No. 2, 47 C.F.R. § 54.516(a) (2021) – Missing Equipment and Lack of Documentation of Equipment Received

Condition

The Beneficiary did not maintain an accurate Fixed Asset Listing (FAL) for all equipment invoiced to the E-Rate program for FRN 2199059482.³ Specifically:

- The Beneficiary’s FAL included duplicate serial numbers for two switches included within our sample. The Beneficiary confirmed that the serial numbers were inappropriately duplicated within the FAL; however, the Beneficiary was unable to determine which switch was missing from its FAL. We are questioning \$4,650 related to the missing switch.
- Six switches were erroneously listed on the Beneficiary’s FAL as being located at South Columbus Elementary School. We verified during our site visit that the switches were not installed at the school. We confirmed that these switches were installed at three other eligible locations (which had been included as recipients of service on the Beneficiaries Form 471), so we are not questioning costs of these switches.

Cause

The Beneficiary did not have adequate processes in place to ensure that it accurately accounted for all equipment invoiced to the E-Rate program.

Effect

The monetary effect of this finding is \$3,952 (\$4,650 multiplied by the Beneficiary’s 85 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199059482	\$3,952	\$3,952
Total	\$3,952	\$3,952

Recommendations

We recommend that:

1. The E-Rate program seek recovery of the amount identified in the Effect section above.
2. The Beneficiary update its FAL to accurately reflect the locations for each piece of E-Rate-funded equipment.
3. The Beneficiary implement procedures to accurately account for equipment purchased with E-Rate funding.

³ See also FCC Form 472, BEAR Form at Block 3 (2021).

Beneficiary Response

Serial numbers for two switches within the FAL were duplicated in error, which resulted in the questioning of \$4,650 related to a missing switch. MCSD will reimburse the recommended recovery amount of \$3,952 (\$4,650*85% Discount Rate) to USAC. Going forward, to ensure that the FAL is correct and that the equipment is installed at the correct location, we will work with the vendor to verify accurate inventory.

Finding No. 3, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2021) – Beneficiary Invoiced the E-Rate Program for Ineligible Equipment

Condition

The Beneficiary incorrectly calculated eligible costs when preparing its BEAR Forms for equipment received under FRN 2199059482. Specifically, the Beneficiary inadvertently included the following ineligible equipment charges when calculating the undiscounted portion of the BEAR Forms, resulting in an overstatement of \$525.

- The Beneficiary invoiced \$5,406 for a switch (model #JL658A), which exceeded the approved E-Rate funding of \$5,100 for this equipment by \$306.
- The Beneficiary invoiced for three transceivers (model #J4859D) at \$219 each. However, only two transceivers had been approved for funding.

Cause

The Beneficiary did not have adequate controls in place to ensure ineligible services were removed from its bills prior to invoicing the E-Rate program.

Effect

The monetary effect of this finding is \$446 (\$525 multiplied by the Beneficiary’s 85 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199059482	\$446	\$446
Total	\$446	\$446

Recommendations

We recommend that:

1. The E-Rate program seek recovery of the amount identified in the Effect section above.
2. The Beneficiary implement controls and procedures to ensure that its BEAR Forms are accurate before invoicing the E-Rate program.

Beneficiary Response

Ineligible costs were incorrectly calculated when preparing BEAR Forms that included Part

#JL658A and Part #J4859D received under FRN2199059482. This error resulted in an overstatement in the total amount of \$525.

- Switch model #JL658A was listed in the Form 471 with a unit cost of \$5,099.70. The unit cost on the bill received from the vendor was incorrectly listed as \$5,405.70. When the Form 472 was submitted, the unit cost for this switch was not reduced to match the funding request, resulting in the overbilling of USAC by \$306.
- USAC approved a quantity of 2 for Switch model #J4859D, but was invoiced for 3. The additional switch was associated with BEAR Inv #3437783. Part #J4859D was excluded from the discount calculation when the BEAR was submitted; however, USAC mistakenly added this item back during PIA. This resulted in the overbilling of USAC by \$219.

MCSO will reimburse the recommended recovery amount of \$446 to USAC (\$525 x 85% Discount Rate). As an added control, two additional points of contact will be added to our process of filing the FCC Form 472. Ronald Pleasant, CIO and Casey Hergett, Senior Director of Enterprise Technologies will receive a draft of the Form 472 prior to submission. They will be tasked with reviewing the form and verifying that the correct quantity at the correct unit cost is invoiced to USAC. This will ensure that USAC isn't invoiced for a quantity greater than what is in the Form 471 and that the unit costs match what is listed in our funding request. In addition, disbursements received from USAC will be checked against the corresponding Form 472 to verify that they match.

Criteria

Finding	Criteria	Description
1	FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021)	<p>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for services which have been billed to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</p> <p>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</p> <p>11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the Service Provider.</p>

Finding	Criteria	Description
1	FCC Form 474 Service Provider Invoice (SPI) Form at Block 3 (2021)	<p><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information, and belief, as follows:</i></p> <p><i>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.</i></p>
2	47 CFR. §54.516(a) (2021)	<p><i>(a) Recordkeeping requirements . . . Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.</i></p>
2, 3	FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2021)	<p><i>The Billed Entity must sign the Certification and declare under penalty of perjury that:</i></p> <p><i>A. The discount amounts listed in of this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</i></p> <p><i>C. The discount amounts listed in of this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FCDL).</i></p>

Sikich CPA LLC