



Schools & Libraries Committee

Audit Report Briefing Book

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Monday, January 29, 2024

Universal Service Administrative Company Offices

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: October 2023.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Highline School District Attachment A	2	<ul style="list-style-type: none"> No significant findings. 	\$1,435,784	\$20,362	\$20,362	\$0	N
Emery Telephone Attachment B	0	<ul style="list-style-type: none"> No applicable. 	\$750,416	\$0	\$0	\$0	N/A
Total	2		\$2,186,200	\$20,362	\$20,362	\$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 A

SL2022LR020

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

HIGHLINE SCHOOL DISTRICT

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

USAC AUDIT No. SL2022LR020

Cotton

A  **SIKICH**. COMPANY

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

Executive Summary

September 15, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”) audited the compliance of Highline School District (Beneficiary), Billed Entity Number (BEN) 145196, 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, pursuant to 47 C.F.R. Section 54.516 (c).

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, and 2) data used to calculate the discount percentage and the type and amount of services received. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with 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 two detailed audit findings, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

Audit Results and Recovery Action

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

Audit Results	Monetary Effect	Recommended Recovery
<p>Finding No. 1, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Ineligible Services. The Beneficiary incorrectly calculated its eligible service costs when preparing its BEAR Forms for services received under FRN 2099065668.</p>	\$18,703	\$18,703
<p>Finding No. 2, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Services Delivered to Locations Not Requested in Its FCC Form 471. The Beneficiary included charges related to ineligible locations in its reimbursement requests to USAC.</p>	<u>\$1,659</u>	<u>\$1,659</u>
Total Net Monetary Effect	<u>\$20,362</u>	<u>\$20,362</u>

USAC Management Response

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

- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoice Training Webinar, February 10, 2022)
- <https://www.usac.org/e-rate/learn/webinars/> (FY2023 E-Rate Eligible Services Webinar, January 5, 2023)
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/school-and-library-eligibility/>

USAC records show the Beneficiary is currently subscribed to the E-Rate weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-rate Program.

FRN	Recovery Amount
2099065668	\$18,703
2099038460	<u>\$1,659</u>
Total	<u>\$20,362</u>

20362/143578

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2020. The Beneficiary is a school district located within the Washington State area that serves more than 17,500 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2020 as of July 5, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$1,589,929	\$1,435,784
Internal Connections	<u>\$507,706</u>	<u>\$0</u>
Total	<u>\$2,106,635</u>	<u>\$1,435,784</u>

The “amount committed” total represents four FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2020 that resulted in 35 approved Funding Request Numbers (FRNs). We selected a sample of three FRNs which represent \$1,627,257 of the funds committed and \$1,435,784 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

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

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services and goods in selecting the Service Provider. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC’s website before signing contracts. In addition, we evaluated the cost-effectiveness of the services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 472, *Billed Entity Applicant Reimbursement (BEAR)* 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. Reimbursement Process

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

Detailed Audit Findings

Finding No. 1, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Ineligible Services

Condition

The Beneficiary incorrectly calculated its eligible service costs when preparing its BEAR Forms for services received under FRN 2099065668. Specifically, the Beneficiary inadvertently included ineligible voice services¹ when calculating the undiscounted portion of the BEAR Forms. As a result, the Beneficiary overstated its total eligible charges by \$23,379.

FRN	Amount Invoiced	Less Eligible Charges	Ineligible Invoiced Charges
2099065668	\$1,788,338	\$1,764,959	\$23,379

Cause

The Beneficiary did not have adequate controls in place to ensure the accuracy of amounts invoiced to USAC.

Effect

The monetary effect for this finding is \$18,703 (\$23,379 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2099065668	<u>\$18,703</u>	<u>\$18,703</u>
Total	<u>\$18,703</u>	<u>\$18,703</u>

Recommendation

We recommend that:

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

¹See *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, DA 18-1173, para. 4 (WCB 2018) (“[I]n FY2019, voice services will no longer be eligible for support by the E-Rate program.”).

Beneficiary Response

The Highline School District [referred to as “we”] agrees with the findings contained in the Cotton & Company report notes as USAC AUDIT NO. SL2022LR020.

We have implemented changes in how we track our funding requests and eligible entities and have controls in place for processing our BEAR forms going forward.

Finding No. 2, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Services Delivered to Locations Not Requested in Its FCC Form 471

Condition

The Beneficiary included charges related to ineligible locations in its reimbursement requests to USAC for FRN 2099038460. Specifically, the Service Provider bills for July 2020 through June 2021 that were provided to support its BEAR Forms contained charges for services provided to the Maywood Science Center (Billed Entity Number 16075697). The Beneficiary did not include this entity in its FCC Form 471 application for FRN 2099038460 and therefore should have removed charges related to this entity from its BEAR Forms before submitting the BEAR Forms to USAC. As a result, the Beneficiary overstated its total eligible charges by \$2,073.

FRN	Amount Invoiced	Eligible Charges	Ineligible Invoiced Charges
2099038460	\$6,393	\$4,320	\$2,073

Cause

The Beneficiary did not ensure that its invoices only included charges for entities that it had included in its FCC Form 471 funding applications.

Effect

The monetary effect for this finding is \$1,659 (\$2,073 multiplied by the Beneficiary’s 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2099038460	\$1,659	\$1,659
Total	\$1,659	\$1,659

Recommendation

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary implement controls and procedures to ensure that its invoices only include charges for entities that it included in its FCC Form 471 funding applications.

Beneficiary Response

The Highline School District [referred to as “we”] agrees with the findings contained in the Cotton & Company report notes as USAC AUDIT NO. SL2022LR020.

We acknowledge that we did not ensure that our invoices only included charges for entities that had been included on our Form 471, FRN 2099038460 [sic].

We have implemented changes in how we track our funding requests and eligible entities and have controls in place for processing our BEAR forms going forward.

Criteria

Finding	Criteria	Description
1, 2	Billed Entity Applicant Reimbursement (BEAR) Form, FCC Form 472 at Block 3	<p>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</p> <p>C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FDCL).</p>
1	Modernizing the E-Rate Program for Schools and Libraries, WC Docket No. 13-184, Order, DA 18-1173, para. 4 (WCB 2018).	Category One Changes, Clarifications, and Requests. First, we eliminate the “Eligible Voice Services” section of the ESL and add a note to clarify that dedicated voice channels on an Integrated Services Digital Network circuit are no longer eligible for E-Rate funding. As we stated in the FY2019 ESL Public Notice, this change is consistent with the 2014 First E-Rate Order, where the Commission announced it would phase down support for voice services over a four-year period. Moreover, we received no comment objecting to this change to the ESL. Accordingly, in FY2019, voice services will no longer be eligible for support by the E-Rate program.

Cotton & Company Assurance and Advisory, LLC

M.P. Mesko

Megan P. Mesko, CPA, CFE
Partner

Attachment B

SL2023SP036

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

EMERY TELEPHONE

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

USAC AUDIT No. SL2023SP036

Cotton

A  **SIKICH**. COMPANY

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

Executive Summary

September 14, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”), audited the compliance of Emery Telephone (Service Provider), Service Provider Identification Number (SPIN) 143002565, for Funding Year (FY) 2021, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of Service Provider management. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our audit, pursuant to 47 C.F.R. Section 54.516 (c).

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

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

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

Audit Results

Based on the test work performed, our 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 2021. The Service Provider is headquartered in Orangeville, Utah, and provides internal connections, fiber wide area networks, managed internal broadband services, and related services to customers in Utah.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2021 as of March 15, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$1,176,627	\$743,389
Internal Connections	\$7,027	\$7,027
Total	<u>\$1,183,654</u>	<u>\$750,416</u>

The “amount committed” total represents nine FCC Form 471 *Description of Services Ordered and Certification* applications submitted by beneficiaries for FY 2021 that resulted in 22 Funding Request Numbers (FRNs). We selected a sample of 18 FRNs, which represent \$1,024,395 of the funds committed and \$750,416 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

We conducted inquiries with the Service Provider and the selected beneficiaries and examined documentation to determine whether equipment and services were eligible and had been delivered and installed in accordance with 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 perform services.

B. Competitive Bid Process

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

C. Billing Process

We reviewed the FCC Form 472s, *Billed Entity Applicant Reimbursement (BEAR)* Forms, for which USAC disbursed payment to determine whether the equipment and services identified on the BEAR Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider’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 and equipment billed to non-residential customers situated similarly to the selected beneficiaries.

D. Reimbursement Process

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

Cotton & Company Assurance and Advisory, LLC



Megan P. Mesko, CPA, CFE
Partner
Alexandria, VA

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: November 2023.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Adelanto Elementary School District Attachment C	1	<ul style="list-style-type: none"> No significant findings. 	\$455,400	\$15,264	\$0	\$0	N
Nashville-Davidson County Library Attachment D	1	<ul style="list-style-type: none"> No significant findings. 	\$234,684	\$0	\$0	\$0	N
Division of Technology Attachment E	4	<ul style="list-style-type: none"> No significant findings. 	\$12,648,846	\$685,496	\$56,837	\$0	Partial
Portland Public Schools Attachment F	1	<ul style="list-style-type: none"> No significant findings. 	\$1,195,611	\$151,073	\$0	\$0	Y
Charlotte-Mecklenburg Schools Attachment G	0	<ul style="list-style-type: none"> Not applicable. 	\$5,658,954	\$0	\$0	\$0	N/A

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Total	7		\$20,193,495	\$851,833	\$56,837	\$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 C

SL2022LR003

Available For Public Use

Adelanto Elementary School District

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

USAC Audit No. SL2022LR003



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**Finding: FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 - Service
Provider Invoiced E-Rate Program for Services Provided to Locations Not
Requested and Approved on FCC Form 471.....7**

EXECUTIVE SUMMARY

August 15, 2023

Michael Krause, Superintendent
Adelanto Elementary School District
11824 Air Expressway
Adelanto, CA 92301

Dear Mr. Krause:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Adelanto Elementary School District (Beneficiary), Billed Entity Number (BEN) 143711, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit

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

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

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

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

Sincerely,



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

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

AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect	Recommended Recovery
Finding: FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 - Service Provider Invoiced E-Rate Program for Services Provided to Locations Not Requested and Approved on FCC Form 471. The Service Provider submitted SPI forms that included discounted costs for two entities not requested on the Beneficiary's FCC Form 471.	\$15,264	\$15,264
Total Monetary Effect¹	\$15,264	\$15,264

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. USAC verified the amount of \$15,263.88 associated with the Finding was returned to the E-Rate program on 5/23/2023 by Charter Communications Operating (Charter) as stated in the Service Provider Response. Therefore, there is no recovery required. 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 Service Provider provide copies of policies and procedures implemented to address the issues identified. USAC also refers Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoicing Process: Office Hour Webinar, July 21, 2022)
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoice Training Webinar, February 10, 2022)
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2022/E-Rate-Invoice-Training-Webinar-2022-Slides.pdf>

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

¹ Monetary effect is rounded to the nearest dollar.

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$29,635	\$24,389
Data Transmission and/or Internet Access	\$541,649	\$431,011
Total	\$571,284	\$455,400

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

The committed total represents three FCC Form 471 applications with four Funding Request Numbers (FRNs). AAD selected two of the four FRNs,² which represent \$421,477 of the funds committed and \$327,189 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.

BACKGROUND

The Beneficiary is a school district located in Adelanto, California, that serves over 8300 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, AAD examined documentation to support the Beneficiary's effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation/inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether the Beneficiary properly selected Service Providers that provided eligible services, and that the price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the

² The FRNs included in the scope of this audit were: 2099010486 and 2099051894.

required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected Service Providers. AAD examined the Service Provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

D. Beneficiary Location

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

E. Reimbursement Process

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

DETAILED AUDIT FINDING

FINDING: FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 - Service Provider Invoiced E-Rate Program for Services Provided to Locations Not Requested and Approved on FCC Form 471

CONDITION

AAD obtained and examined the Service Provider's FCC Form 474 Service Provider Invoice (SPI) Forms and the corresponding Service Provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for the discounted costs of eligible and approved Ethernet service and related taxes and fees for FRN 2099010486. The FCC Form 471 submitted by the Beneficiary listed nine entities as the recipients of eligible service for reimbursement under this FRN. However, the Service Provider submitted SPI forms that included discounted costs for two entities (see below) not requested on the Beneficiary's FCC Form 471.

FRN	Entity Name	SPI No. CHR- FY2020-1	SPI No. CHR- FY2020-2	SPI No. CHR- FY2020-3	SPI No. CHR- FY2020-7	Total (Discounted Amount)
2099010486	Adelanto Elem School District Master, Victorville	\$4,082	\$2,333	\$583	\$634	\$7,632
2099010486	Adelanto Elem School District Master, Adelanto	\$4,082	\$2,333	\$583	\$634	\$7,632
Total		\$8,164	\$4,666	\$1,166	\$1,268	\$15,264

As the funding commitment is approved for the services provided to the entities requested on the FCC Form 471 for the FRN, the charges for the services provided to the entities that were not requested in the Beneficiary's FCC Form 471 are ineligible for reimbursement.³ The Service Provider invoiced the E-Rate program on its SPI Forms for a total discounted amount of \$328,674. However, the total discounted amount of eligible service costs supported by the Service Provider bills totaled \$313,410. The difference between the eligible discounted costs supported by the Service Provider bills and the approved amount on the FCC Form 471 was \$15,264. Therefore, the Service Provider invoiced the E-Rate program for \$15,264 in ineligible service costs.

CAUSE

The Service Provider did not have adequate controls and procedures in place to ensure that the E-Rate program is invoiced only for the discounted costs of approved, eligible locations and services as requested in the Beneficiary's FCC Form 471. The Service Provider informed AAD that due to a typographical error, the funds were incorrectly invoiced for the ineligible account.⁴

³ 47 C.F.R. § 54.504(a).

⁴ Service Provider response to audit inquiry #4, received on May 5, 2023.

EFFECT

The monetary effect of this finding is \$15,264. This amount represents the total amount disbursed by the E-Rate program for the Beneficiary's discounted portion of the services delivered to unapproved, ineligible locations that should have been removed from the SPI Forms for FRN 2099010486, prior to submission.

RECOMMENDATION

AAD recommends that USAC seek recovery of \$15,264 to the extent that the funds have not been recovered by the E-Rate Program already.

The Service Provider must implement controls and procedures to ensure the E-Rate program is invoiced only for the Beneficiary's discounted portion of eligible services and entities that are requested on the FCC Form 471 and committed in an FCDL, as required by the FCC Rules.

SERVICE PROVIDER RESPONSE

Charter returned \$15,263.88 to USAC on 5/24/2023. In Charter's Summary of Exceptions response filed on 6/6/2023, Charter enhanced one of its internal E-Rate account management systems to automate the connection between entity, annex and FRN assignments. In addition, E-Rate discounts will not process in billing if there is a discrepancy without being reviewed and approved through a manual validation process. These controls will prevent this type of issue from occurring in the future.

CRITERIA

FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 (2017):

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:

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.

B. I certify that the certifications made on the Service Provider Annual Certification Form (FCC Form 473) by this Service Provider are true and correct.

C. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.

FCC Form 474, Service Provider Annual Certification (SPAC) Form, at Block 2 (2017):

Item (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.

Item (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 yet issued a reimbursement decision.

47 C.F.R. § 54.504(a) (2019):

Filing of the FCC Form 471. An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart shall, upon entering into a signed contract or other legally binding agreement for eligible services, submit a completed FCC Form 471 to the Administrator.

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

Attachment D

SL2022LR006

Available For Public Use

Nashville-Davidson County Library

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

USAC Audit No. SL2022LR006

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EXECUTIVE SUMMARY

July 6, 2023

Terri Luke, Interim Library Director
Nashville-Davidson County Library
615 Church St.
Nashville, TN 37219

Dear Ms. Luke:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Nashville-Davidson County Library (Beneficiary), Billed Entity Number (BEN) 128257, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

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

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

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

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

Sincerely,



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

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

AUDIT RESULT AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding: 47 C.F.R. § 54.520(c)(2)(ii) (2019)- Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements. The Beneficiary did not address two of the requirements in its ISP, thus, the Beneficiary was not technically compliant with all of the CIPA requirements.	\$0	\$0
Total Monetary Effect	\$0	\$0

USAC MANAGEMENT RESPONSE

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

- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>

USAC records show the Beneficiary is currently subscribed to E-Rate weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-rate Program.

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

The purpose of the audit was to determine whether the Nashville-Davidson County Library complied with the FCC Rules.

SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Nashville-Davidson County Library for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$234,684	\$234,684
Total	\$234,684	\$234,684

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

The committed total represents one FCC Form 471 application with two Funding Request Numbers (FRNs). AAD selected both FRNs,¹ which represent 100 percent of the funds committed and disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by Nashville-Davidson County Library.

BACKGROUND

The Beneficiary is a Library System located in Nashville, Tennessee that serves a community with over 1.5 million residents.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation/inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

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

B. Competitive Bid Process

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

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) corresponding Service Provider's bills were consistent with the terms and specifications of the

¹ The FRNs included in the scope of this audit are: 2099039160 and 2099039148.

Service Provider's agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Beneficiary Location

AAD conducted inquiries to determine whether the services were located in eligible facilities and utilized in accordance with the FCC Rules. AAD also evaluated the services purchased by the Beneficiary for cost effectiveness to determine whether funding was used in an effective manner

E. Reimbursement Process

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

DETAILED AUDIT FINDING

Finding: 47 C.F.R. § 54.520(c)(2)(ii)(2019) – Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements

CONDITION

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Children's Internet Protection Act (CIPA) requirements. AAD reviewed the Internet Safety Policy (ISP) for the Beneficiary and identified it did not address the required Internet safety elements listed below:

- The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications
- Unauthorized disclosure, use, and dissemination of personal information regarding minors

Because the Beneficiary did not address two of the requirements in its ISP, AAD determined that the Beneficiary was not technically compliant with all of the CIPA requirements. However, because the Beneficiary had an ISP and a technology protection measure in place (i.e., a filter that actually monitored Internet content), the operation of which was being enforced during the use of Beneficiary's computers with Internet access, the Beneficiary was in substantial compliance with the spirit of the CIPA requirements.²

² See Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau to Scott Barash, Acting Chief Executive Officer, USAC, WC Docket No. 02-6, 24 FCC Rcd. 417, DA 09-86 (Jan. 16, 2009) (explaining that, in certain instances, although an applicant may not have been in technical compliance, substantial compliance with the spirit of the CIPA requirements may be sufficient. For example, a school district's Internet safety policy did not address measures designed to restrict minors' access to harmful materials, but the school district had an Internet filter in place that actually restricted minors' access to harmful materials.).

CAUSE

The Beneficiary had not updated its ISP since 2003 and had no periodic review process in place to ensure the ISP contained all required elements. In addition, the Beneficiary stated it took a broader approach concerning coverage of the elements we noted as missing from the Policies.³

EFFECT

There is no monetary effect associated with this finding. While the Beneficiary was not technically compliant with all of the CIPA requirements, the Beneficiary substantially complied with the spirit of the CIPA requirements.

RECOMMENDATION

The Beneficiary must revise its ISP to ensure that all required Internet safety policy elements are addressed. In addition, AAD recommends that the Beneficiary implement controls and procedures to maintain awareness of and periodically review compliance with the FCC Rules and requirements for CIPA.

BENEFICIARY RESPONSE

Nashville Public library will update our Internet Access / Computer Use and CIPA Compliance Internet Safety Policies that address all CIPA requirements. The Nashville Public Library Board will vote on these new polices at their next scheduled meeting on July 18, 2023, 12:00 pm in the Main Library Board Room.⁴

CRITERIA

47 C.F.R. § 54.520(C)(2)

The billed entity for a library that receives discounts for Internet access and internal connections must certify, on FCC Form 486, that an Internet safety policy is being enforced. If the library is an eligible member of a consortium but is not the billed entity for the consortium, the library must instead certify on FCC Form 479 (“Certification to Consortium Leader of Compliance with the Children’s Internet Protection Act”) that an Internet safety policy is being enforced.

(i) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The library must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(2) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose.

(ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues:

- (A) Access by minors to inappropriate matter on the Internet and World Wide Web;
- (B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;

³ Beneficiary responses to audit inquiries, received January 13, 2023, and May 2, 2023.

⁴ Proposed policies and board resolutions were received on July 6, 2023 and documents are maintained on file.

- (C) Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online;
- (D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and
- (E) Measures designed to restrict minors' access to materials harmful to minors.

Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau, FCC, to Scott Barash, Acting Chief Executive Officer, USAC, CC Docket No. 02-6, 24 FCC Rcd 417, DA 09-86 (WCB Jan. 16, 2009).

“We note, however, that in certain instances, although the applicant may not have been in technical compliance, there was substantial compliance with the spirit of the CIPA requirements. For example, an audit found that Little Rock School District (Little Rock) was not in compliance with the CIPA requirement to have in place an Internet safety policy that addressed measures designed to restrict minors' access to harmful materials. Although Little Rock's Internet safety policy did not address this point, Little Rock did have in place an Internet filter that restricted minor's access to harmful materials. In this case, recovery is not warranted.”

See Schools and Libraries Universal Support Mechanism, A National Broadband Plan for Our Future, CC Docket No. 02-6, GN Docket No. 09-51, Report and Order, 26 FCC Rcd 11819, 11828, FCC 11-125, para. 21 (2011)

“We agree that in certain circumstances, USAC should give applicants the opportunity to correct minor errors that could result in violations of the Commission's CIPA rules before instituting recovery of E-Rate funds, but such errors should be immaterial to statutory CIPA certification compliance. For example, if a school has complied in practice with the CIPA certification it has made with regard to the use of its Internet access services by minors but has inadvertently left out one of the details of its practice in its written Internet safety policy, we would consider that to be an immaterial error that could be cured.”

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

Attachment E

SL2021LR025

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

DIVISION OF TECHNOLOGY

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

USAC AUDIT No. SL2021LR025

Cotton

A  **SIKICH**. COMPANY

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
DIVISION OF TECHNOLOGY
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

November 14, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”) audited the compliance of Division of Technology (Beneficiary), Billed Entity Number (BEN) 145704, 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, pursuant to 47 C.F.R. Section 54.516 (c).

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, and 2) data used to calculate the discount percentage and the type and amount of services received. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with 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 four detailed audit findings, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

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

Audit Results and Recovery Action

Based on the test work performed, our examination found that the Beneficiary did not comply with FCC Rules, as provided in the four detailed audit findings discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	Recommended Recovery
Finding No. 1, FCC Form 472, BEAR Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills. The Beneficiary over-invoiced the E-Rate program because it incorrectly calculated eligible costs.	\$42,006	\$0	\$42,006
Finding No. 2, FCC Form 472, BEAR Form at Block 3 - Beneficiary Invoiced the E-Rate Program for Services Delivered to Locations Not Requested in Its FCC Form 471. The Beneficiary included charges related to ineligible locations in its reimbursement requests to USAC.	\$5,333	\$0	\$5,333
Finding No. 3, 47 C.F.R. § 54.523 (2018) – Untimely Payment of the Beneficiary Non-Discount Share to the Service Provider. The Beneficiary did not consistently pay the non-discounted share of its service providers’ invoices in a timely manner.	\$628,659	\$0	\$0
Finding No. 4, 47 C.F.R. § 54.516(a)(1) (2018) - Lack of Documentation – Beneficiary Did Not Demonstrate Substantial Compliance With CIPA. Two of the ten entities that we sampled for CIPA	<u>\$9,498</u>	<u>\$0</u>	<u>\$9,498</u>

Audit Results	Monetary Effect	Overlapping Recovery	Recommended Recovery
compliance did not have adequate documentation or data retention policies in place to ensure they complied with CIPA requirements.			
Total Net Monetary Effect	<u>\$685,496</u>	<u>\$0</u>	<u>\$56,837</u>

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. USAC 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 Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoicing Process: Office Hour Webinar, July 21, 2022)
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/school-and-library-eligibility/>
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Post-Commitment Process, November 18, 2021)
- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>

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

FRN	Recovery Amount
1999029705	\$42,006
1999028666	\$5,333
1999034971	<u>\$9,498</u>
Total	<u>\$56,837</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) 2019. The Beneficiary is a consortium located in Columbia, South Carolina,

that serves individual schools, school districts, and libraries with a combined student population of more than 750,000.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2019, as of September 15, 2021, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	<u>\$19,973,522</u>	<u>\$12,648,846</u>
Total	<u>\$19,973,522</u>	<u>\$12,648,846</u>

The “amount committed” total represents nine FCC Form 471, *Description of Services Ordered and Certification*, applications submitted by the Beneficiary for FY 2019 that resulted in 10 Funding Request Numbers (FRNs). We selected a sample of five of the FRNs, which represent \$18,982,081 of the funds committed and \$11,938,944 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 to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

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

B. Competitive Bid Process

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

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 472, *Billed Entity Applicant Reimbursement (BEAR)* Forms; FCC Form 474, *Service Provider Invoice (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. Reimbursement Process

We obtained and examined service invoices that the Beneficiary and the service providers submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary and service providers had properly invoiced USAC. 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 were eligible in accordance with the E-Rate program Eligible Services List.

Detailed Audit Findings

Finding No. 1, FCC Form 472, BEAR Form at Block 3 - Beneficiary Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills

Condition

The Beneficiary over-invoiced the E-Rate program for services requested under FRN 1999029705. Specifically, the Beneficiary entered into billing disputes with the Service Provider for services under this FRN throughout FY 2019. The Beneficiary worked with the Service Provider to identify each month's disputed charges in a tracking worksheet, which added the disputed charges for each line item to arrive at a lump-sum total. The Beneficiary then prepared its monthly BEAR Form to request reimbursement from USAC by subtracting the ineligible charges and the total disputed charges from its Service Provider bill.

During our review, we noted that the tracking worksheet contained a clerical error that caused the Beneficiary to incorrectly calculate the total disputed charges for September 2019. As a result, the Beneficiary understated the disputed charges that it excluded from the BEAR Form for that month.

We determined that the error in the tracking worksheet caused the Beneficiary to overstate its eligible charges for services requested under FRN 1999029705 by \$52,507.

Cause

The Beneficiary did not review the documents it used when preparing invoices to ensure that the information was accurate.

Effect

The Beneficiary erroneously miscalculated its disputed charges which resulted in overstating its eligible charges to USAC by \$52,507. The monetary effect of this finding is \$42,006 (\$52,507 multiplied by the Beneficiary’s 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Data Transmission and/or Internet Access FRN 1999029705	\$42,006	\$42,006
Total	\$42,006	\$42,006

Recommendations

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary implement controls and procedures to ensure that the documents it uses to prepare its invoices are accurate.

Beneficiary Response

This finding was due to clerical error with AT&T. The Department of Administration, Division of Technology team will be discussing the audit finding with the vendor. Currently we closely evaluate the invoices and associated documentation each month prior to processing payment.

We accept the finding.

Finding No. 2, FCC Form 472, BEAR Form at Block 3 - Beneficiary Invoiced the E-Rate Program for Services Delivered to Locations Not Requested in Its FCC Form 471

Condition

The Beneficiary included charges related to ineligible locations in its reimbursement requests to USAC for FRN 1999028666. Specifically:

- The Service Provider bills for March and April 2020 that the Beneficiary provided to support its BEAR Form filings contained charges for services provided to child entity number 17015742. The Beneficiary did not include this entity in its FCC Form 471 application for FRN 1999028666 and therefore should have removed charges related to this entity from its BEAR Forms before submitting the BEAR Forms to USAC. As a result, the Beneficiary over-stated its total eligible charges by \$6,746.
- The Beneficiary relied on a report prepared by its Service Provider to quantify total ineligible charges under FRN 1999028666. The report prepared by the Service Provider contained charges related to child entity numbers 230666 and 16033170; however, these entities were not included in the Beneficiary’s FCC Form 471 application, or the Service

Provider bills used to identify total charges for FRN 1999028666. Because the Service Provider bills did not include any charges related to these entities, the Beneficiary’s removal of ineligible charges related to these entities understated the total eligible charges for FRN 1999028666 by \$242.

These errors collectively caused the Beneficiary to overstate its eligible charges for services requested under FRN 1999028666 by \$6,504 (\$6,746 - \$242).

Cause

The Beneficiary did not ensure that its invoices only included charges for entities that it had included in its FCC Form 471 funding applications.

Effect

The Beneficiary’s failure to ensure that its invoices to USAC only included eligible charges for locations included in its application resulted in it overstating eligible charges by \$6,504. The monetary effect of this finding is \$5,333 (\$6,504 multiplied by the Beneficiary’s 82 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Data Transmission and/or Internet Access FRN 1999028666	<u>\$5,333</u>	<u>\$5,333</u>
Total	<u>\$5,333</u>	<u>\$5,333</u>

Recommendations

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary implement controls and procedures to ensure that its invoices only include charges for entities that it included in its FCC Form 471 funding applications.

Beneficiary Response

The Public Library Support Services (17015742) invoice error was due to a clerical error with Segra. The misbill was caught and corrected in the following months, but a credit was not placed on the school internet invoice. This type of clerical error is closely being monitored and our department is ensuring with the telecommunication vendors that charges and credits are being placed in the appropriate accounts.

During FY2019-2020 Orangeburg School District was consolidated to form a new district. The funding application unfortunately did not include the non-instructional facilities listed in the audit findings. This was a clerical error on our end. Moving forward there will be more diligence and concentrated efforts to insure proper applications.

We accept this finding.

Finding No. 3, 47 C.F.R. § 54.523 (2018) – Untimely Payment of the Beneficiary’s Non-Discounted Share to the Service Provider

Condition

The Beneficiary did not consistently pay the non-discounted share of its service providers’ bills in a timely manner.¹ FCC Rules require beneficiaries to remit payment within 90 days of receiving services. However, we identified 13 instances in which the Beneficiary did not pay its non-discounted share within 90 days, as follows:

FRN	Undisputed Monthly Charge	Invoice Due Date ²	Payment Date	No. of Days Between Invoice Due and Payment Dates	Payment Amount
1999017433	\$71,596	11/30/2019	3/2/2020	93	<u>\$16,950</u>
Subtotal					\$16,950
1999028535	\$68,697	9/8/2019	3/3/2020	177	\$10,640
1999028535	\$115,765	10/8/2019	3/3/2020	147	\$18,263
1999028535	\$106,712	11/7/2019	3/3/2020	<u>117</u>	<u>\$16,807</u>
Subtotal					\$45,710
1999028666	\$259,784	8/31/2019	12/3/2019	94	\$42,510
1999028666	\$265,489	11/30/2019	3/2/2020	<u>93</u>	<u>\$43,444</u>
Subtotal					\$85,954
1999029705	\$351,177	9/9/2019	3/3/2020	176	\$64,547
1999029705	\$957,480	10/8/2019	3/3/2020	147	\$177,986
1999029705	\$893,738	11/7/2019	3/3/2020	<u>117</u>	<u>\$165,206</u>
Subtotal					\$407,739
1999034971	\$42,233	7/31/2019	12/3/2019	125	\$14,546
1999034971	\$42,390	8/31/2019	1/6/2020	128	\$14,601
1999034971	\$67,354	9/30/2019	1/6/2020	98	\$23,863
1999034971	\$55,436	11/30/2019	3/2/2020	<u>93</u>	<u>\$19,296</u>
Subtotal					\$72,306
Total					<u>\$628,659</u>

¹ See also *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816 at para. 24 (2004) and FCC Form 472 at Block 3.

² We used the invoice due date to calculate the number of days it took the Beneficiary to make payment for its non-discounted share because it aligned with the service end date.

Cause

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

Effect

The monetary effect of this finding is \$628,659. Because the Beneficiary ultimately paid for the funded services, we are not recommending recovery of USAC funds.

Recommendation

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

Beneficiary Response

At the start of July 2019, AT&T began a new billing system and there were issues with the invoicing during the transition. Our goal was to ensure proper billing for reimbursements which delayed processing. Proper procedures have since been put into place and we meet the requirement to pay providers within 90 days.

We accept this finding.

Finding No. 4, 47 C.F.R. § 54.516(a)(1) (2018) - Lack of Documentation – Beneficiary’s Members Did Not Demonstrate Substantial Compliance With CIPA³

Condition

Two of the ten entities that we sampled for CIPA compliance did not have adequate documentation or data retention policies in place to ensure they complied with CIPA requirements. Specifically, we sampled 10 of the entities that the Beneficiary included in its FCC Form 471 funding applications to determine whether the entities complied with CIPA requirements. However, we were unable to determine whether two of these entities complied with CIPA requirements, as follows:

- **Calhoun Falls Charter School (Child Entity No. 16050126):** This entity received services under FRN 1999034971 during FY 2019. We requested documentation to support whether the entity complied with CIPA requirements; however, the entity did not provide documentation to demonstrate that it employed a Technology Protection Measure to filter and/or block content harmful to minors. The Beneficiary’s invoices for FRN 1999034971 included \$10,075 for this entity, resulting in a \$6,247 payment from USAC (\$10,075 multiplied by the FRN’s 62 percent discount rate).
- **Palmetto Academy for Learning Motorsports (PALM) (Beneficiary Entity No. 16062376):** This entity received services under FRN 1999034971 during FY 2019. We requested documentation to support whether the entity complied with CIPA

³ See also 47 C.F.R. §§ 54.520(c)(1)(i), (c)(2)(i), and 54.520(h).

requirements. The entity provided an Internet usage permission form (to be signed by the student). The entity also provided its Internet safety policy, which is incorporated into its Code of Conduct and available to the public on its website. However, the entity did not provide documentation to demonstrate that it held a public meeting or hearing to discuss its Internet Safety Policy. The entity also did not provide documentation to demonstrate that it employed a Technology Protection Measure to filter and/or block content harmful to minors. The Beneficiary's invoices for FRN 1999034971 included \$5,244 for this entity, resulting in a \$3,251 payment from USAC (\$5,244 multiplied by the Beneficiary's 62 percent discount rate).

Cause

The entities did not have adequate documentation or data retention policies and procedures in place to ensure that they properly retained records to demonstrate CIPA compliance.

Effect

We were unable to conclude whether the entities complied with all CIPA requirements. The monetary impact of the finding is \$9,498 (\$15,319 in internet services received by Calhoun Falls Charter School and PALM multiplied by the Beneficiary's 62 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Data Transmission and/or Internet Access FRN 1999034971	<u>\$9,498</u>	<u>\$9,498</u>
Total	<u>\$9,498</u>	<u>\$9,498</u>

Recommendations

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The entities implement document retention policies to ensure they can demonstrate complete compliance with FCC Rules throughout the post-commitment process.

Entity Response

Palmetto Academy for Learning Motorsports (PALM)

PALM Charter High School complied with CIPA requirements by:

1. *Provided all parents, guardians, students and staff with information discussing Internet Safety Policy. (See both attachments)*
2. *PALM employed PCRX to maintain IT services during this school year which included maintaining a Technology Protection Measure which filtered content harmful to minors. (Internet Usage Policy)*

In addition to its response, PALM also provided a copy of its Internet Usage Policy and an Internet Usage Form.

Auditor Response

Our draft audit report initially identified three entities which had not complied with CIPA requirements. However, one of the entities, Augusta Branch Library, also known as Ramsey Family Library (Child Entity No. 31411), subsequently provided additional documentation to demonstrate compliance with CIPA requirements, so it was removed from the finding.

Calhoun Falls Charter School did not provide a response to the audit finding and did not respond to our follow-up inquiries on whether it would respond.

PALM’s response does not sufficiently address the issues raised in our finding. The documentation did not demonstrate that PALM held a public meeting or hearing to discuss its Internet Safety Policy, nor did it document that it maintained a Technology Protection Measure in 2019 to filter content harmful to minors. We thus made no change to the audit finding.

Criteria

Finding	Criteria	Description
1, 2, 3	FCC Form 472, E-Rate Program Billed Entity Applicant Reimbursement (BEAR) Form, Billed Entity Certifications at Block 3	<p><i>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</i></p> <p><i>B. The discount amounts listed in this Billed Entity Applicant Reimbursement Form were already billed by the Service Provider and paid for by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.</i></p> <p><i>C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FCDL).</i></p> <p><i>D. I acknowledge that I may be audited pursuant to this application and will retain for at least 10 years (or whatever retention period is required by the FCC Rules in effect at the time of this certification), after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request any and all records that I rely upon to complete this form.</i></p> <p><i>E. I certify that, in addition to the foregoing, this Billed Entity Applicant is in compliance with the FCC Rules and orders governing the schools and libraries universal service support program, and I acknowledge that failure to be in</i></p>

Finding	Criteria	Description
		<i>compliance and remain in compliance with those FCC Rules and orders may result in the denial of discount funding and/or cancellation of funding commitments. I acknowledge that failure to comply with the FCC Rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</i>
3	47 C.F.R. §54.523 (2018)	<i>An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.</i>
3	Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816 at para. 24 (2004)	<i>Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of [the] rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services... Accordingly, [the FCC clarified] prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates [the] rule that the beneficiary must pay its share.</i>
4	47 C.F.R. §54.516(a)(1) (2018)	<i>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>
4	47 CFR § 54.520(c)(1)(i) (2018)	<i>The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults</i>

Finding	Criteria	Description
		<p><i>and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The school must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(1) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose. This Internet safety policy must also include monitoring the online activities of minors. Beginning July 1, 2012, schools' Internet safety policies must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.</i></p>
4	47 CFR § 54.520(c)(2)(i) (2018)	<p><i>The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The library must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(2) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose</i></p>
4	47 CFR § 54.520(h) (2018)	<p><i>A school or library shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.</i></p>

COTTON & COMPANY ASSURANCE AND ADVISORY, LLC

Jason Boberg, CPA, CFE

A handwritten signature in black ink, appearing to be 'JB' with a stylized flourish.

Partner
Alexandria, VA

Attachment F

SL2022LR026

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

PORTLAND PUBLIC SCHOOLS

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

USAC AUDIT No. SL2022LR026

Cotton

A  **SIKICH**. COMPANY

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

Executive Summary

November 13, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”), audited the compliance of Portland Public Schools (Beneficiary), Billed Entity Number (BEN) 144908, using regulations and orders governing the federal Universal Service E-Rate program, as 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, pursuant to 47 C.F.R. Section 54.516 (c).

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and *Generally Accepted Government Auditing Standards*, as 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, as well as the type and amount of services received; and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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

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

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

Audit Results	Monetary Effect	Recommended Recovery
<p>Finding, 47 C.F.R. § 54.523 (2019) – Untimely Payment of Beneficiary’s Non-Discount Share to Service Provider. The Beneficiary did not consistently pay the non-discounted share of its Service Provider’s invoices in a timely manner.</p>	\$151,073	\$0
Total Net Monetary Effect	<u>\$151,073</u>	<u>\$0</u>

USAC Management Response

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

- <https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/>
- <https://www.usac.org/wp-content/uploads/about/documents/fcc-orders/1997-fcc-orders/FCC-97-157.pdf> (please see paragraph 493, pages 260-261)
- <https://docs.fcc.gov/public/attachments/FCC-04-190A1.pdf> (please see paragraph 24, page 9)

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

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2020. The Beneficiary is a public school district located in Portland, Oregon, that serves approximately 46,000 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2020, as of June 7, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$866,254	\$603,565
Internal Connections	\$675,425	\$592,046
Total	<u>\$1,541,679</u>	<u>\$1,195,611</u>

The “amount committed” total represents three FCC Form 471, *Description of Services Ordered and Certification Forms*, submitted by the Beneficiary for FY 2020 that resulted in three Funding Request Numbers (FRNs). We tested all three FRNs, which represent \$1,541,679 of the funds committed and \$1,195,611 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 whether 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 to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which it requested funding. We conducted additional inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage, then validated the accuracy of the discount percentage.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services in selecting the Services 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 contracts with the selected Service Providers.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 472, *Billed Entity Applicant Reimbursements (BEAR)* 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 virtual site visit to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it requested funding. We also 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 service invoices that the Beneficiary submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR Forms for services provided to the Beneficiary. We verified that the services identified on the BEAR Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and were eligible in accordance with the E-Rate program Eligible Services List.

Detailed Audit Finding

Finding, 47 C.F.R. § 54.523 (2019) – Untimely Payment of Beneficiary’s Non-Discounted Share to Service Provider

Condition

The Beneficiary did not consistently pay its non-discounted share of a Service Provider’s bills within 90 days of receiving services, as required by FCC Rules.¹ The Service Provider for FRN 2099027758, CDW Government, LLC (CDW) billed the Beneficiary for internal connections in FY 2020. We reviewed the Service Provider’s bills and the Beneficiary’s check payments and identified five bills which were not paid timely as follows:

Bill Date	Payment Date	No. of Days to Pay	Applicable Billed Amount ²
April 21, 2020	July 24, 2020	94	\$57,118
			\$34,503
			\$19,629
			\$19,629
			\$20,194
Total			<u>\$151,073</u>

¹ See also *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816, FCC 04-190, at para. 24 (2004).

² The Beneficiary paid five separate bills on July 24, 2020.

Cause

The Beneficiary did not have adequate controls and procedures in place to ensure the timely payment of the Service Provider bills. The Beneficiary stated that their accounting department begins preparing to close the fiscal year in April and that due to the numerous invoices and transactions which must be processed, these five bills were delayed and processed later than normal.

Effect

The monetary effect of this finding is \$151,073. Because the Beneficiary ultimately paid the non-discounted share of the E-Rate funded services, we are not recommending recovery of USAC funds.

Support Type	Monetary Effect
2099027758 Internal Connections	\$151,073
Total	<u>\$151,703</u>

Recommendation

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

Beneficiary Response

Portland Public Schools (PPS) has adequate controls and procedures in place to ensure the timely payment of service provider bills. During the course of the audit, close to 50 invoices from CDW were provided to the audit team. All invoices were paid in accordance with the District’s policies and procedures. The few invoices at issue were received as the District’s fiscal year was coming to an end. As such, the department processing invoices for payment took a few days longer than normal to pay the invoices. The invoices were paid and PPS did not fail to pay their portion for the equipment being purchased.

Auditor Response

As the Beneficiary’s policies and procedures should ensure timely payments to its vendors throughout the year, including during its fiscal year-end, our position regarding this finding has not changed.

Criteria

Finding	Criteria	Description
1	47 C.F.R. §54.523 (2019)	<i>An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.</i>
1	Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816 FCC 04-190, at para. 24 (2004)	<i>Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of [the] rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services... Accordingly, [the FCC clarified] prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates [the] rule that the beneficiary must pay its share.</i>

COTTON & COMPANY ASSURANCE AND ADVISORY, LLC



Megan Mesko, CPA, CFE
 Partner
 Alexandria, VA

Attachment G

SL2023LR025

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

CHARLOTTE-MECKLENBURG SCHOOLS
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES

USAC AUDIT No. SL2023LR025



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
CHARLOTTE-MECKLENBURG SCHOOLS
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

October 9, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”), audited the compliance of Charlotte-Mecklenburg Schools (Beneficiary), Billed Entity Number (BEN) 126973, 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, pursuant to 47 C.F.R. Section 54.516 (c).

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) 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.

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

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

Audit Results

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

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2021. The Beneficiary is a public school system located in Charlotte, North Carolina, that serves more than 141,000 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2021 as of March 2, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$5,038,534	\$4,751,926
Internet Access	\$907,028	\$907,028
Total	<u>\$5,945,562</u>	<u>\$5,658,954</u>

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 five Funding Request Numbers (FRNs). We selected a sample of three FRNs, which represent \$5,342,794 of the funds committed and \$5,337,037 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

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

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services and goods in selecting 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 contracts with the selected service providers.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Form 472s, *Billed Entity Applicant Reimbursements* (BEAR Forms); FCC Form 474s, *Service Provider Invoices* (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 virtual site visit to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary used the funding in an effective manner.

E. Reimbursement Process

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

COTTON & COMPANY ASSURANCE AND ADVISORY, LLC



Megan P. Mesko, CPA, CFE
Partner
Alexandria, VA

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: December 2023.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
North Carolina Department of Public Instruction Attachment H	4	<ul style="list-style-type: none"> Ineligible Costs – The Beneficiary invoiced the E-Rate program for ineligible program fees. 	\$7,344,083	\$247,136	\$152,771	\$0	N
Wanrack, LLC Attachment I	1	<ul style="list-style-type: none"> No significant findings. 	\$14,222,141	\$0	\$0	\$0	Partial
Total	5		\$21,566,224	\$247,136	\$152,771	\$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 H

SL2022LR012

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

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

USAC AUDIT No. SL2022LR012

Cotton

A  **SIKICH**. COMPANY

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CRITERIA 10

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

January 19, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”) audited the compliance of North Carolina Department of Public Instruction (Beneficiary), Billed Entity Number (BEN) 231411, 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, pursuant to 47 C.F.R. § 54.516 (c).

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. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, and 2) data used to calculate the discount percentage and the type and amount of services received. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with 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 four detailed audit findings, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC. It 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 found that the Beneficiary did not comply with FCC Rules, as provided in the four detailed audit findings discussed below.

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, 47 C.F.R. § 54.502 (a)(1) (2019) – Beneficiary Invoiced the E-Rate Program for Ineligible Program Fees. The Beneficiary invoiced the E-Rate program for ineligible program fees billed by its Service Provider.	\$152,471	\$152,471
Finding No. 2, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Amounts Greater than Requested on the FCC Form 471. The Beneficiary invoiced the E-Rate program for Internet access fees that exceeded the amounts requested and approved for funding.	\$90,267	\$0
Finding No. 3, 47 C.F.R. § 54.507(d) (2019) – Beneficiary Invoiced the E-Rate Program for Services Delivered Outside of the Funding Year. The Beneficiary invoiced the E-Rate program for Internet access fees that the Beneficiary had incurred in the prior Funding Year (FY).	\$4,398	\$300
Finding No. 4, 47 C.F.R. § 54.516(a)(1) (2019) – Lack of Documentation – Beneficiary’s Members Did Not Demonstrate Compliance with the Children’s Internet Protection Act (CIPA). Three of the ten consortium members that we tested for compliance with CIPA requirements did not maintain adequate documentation to demonstrate their compliance.	<u>\$0</u>	<u>\$0</u>
Total Net Monetary Effect	<u>\$247,136</u>	<u>\$152,771</u>

USAC Management Response

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

- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoice Training Webinar, February 10, 2022)
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Invoicing Process: Office Hour Webinar, July 21, 2022)
- https://www.usac.org/video/sl/2019/invoicing/story_html5.html
- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>
- <https://www.usac.org/e-rate/learn/webinars/> (Fall 2022 Annual Training – E-Rate Post-Commitment Process, November 03, 2022)

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

FRN	Recovery Amount
2099030444	\$56,729
2099031706	\$37,067
2099032487	\$28,619
2099033120	\$30,356
Total	<u>\$152,771</u>

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for FY2020. The Beneficiary is a consortium located in Raleigh, North Carolina, that serves more than 285 school districts and schools.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2020 as of April 27, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	<u>\$11,688,428</u>	<u>\$7,344,083</u>
Total	<u>\$11,688,428</u>	<u>\$7,344,083</u>

The “amount committed” total represents four FCC Form 471, *Description of Services Ordered and Certification*, applications submitted by the Beneficiary for FY 2020 that resulted in four Funding Request Numbers (FRNs). We selected a sample of three FRNs, which represent \$10,932,475 of the funds committed and \$6,800,255 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 inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

We obtained and examined documentation to determine whether the Beneficiary and its members complied with the requirements of CIPA. Specifically, we obtained and evaluated members’ Internet Safety Policies (ISPs) and obtained an understanding of the process by which the members communicated and administered the policies.

B. Competitive Bid Process

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

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 472, BEARForms, 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. Beneficiary Location

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

E. Reimbursement Process

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

Detailed Audit Findings

Finding No. 1, 47 C.F.R. § 54.502(a)(1) (2019) – Beneficiary Invoiced the E-Rate Program for Ineligible Program Fees¹

Condition

The Beneficiary invoiced the E-Rate program for ineligible program fees billed by its Service Provider, North Carolina Department of Information Technology. The Service Provider provides Internet access services to the Beneficiary on a cost-recovery basis under an annual Memorandum of Understanding (MOU). The Service Provider originally bid its program fees for these services as a separate ineligible line item. However, after the Beneficiary awarded the FY 2017 MOU, the Service Provider changed its process for billing the program fees. Specifically, rather than billing the Beneficiary for these fees separately as an ineligible line item, the Service Provider increased its Internet access rates by \$69 per location to recover these fees. Because program fees are not included on the FY 2020 Eligible Services List, the \$228,183 in program fees billed for FY 2020 (through June 30, 2021) and invoiced to the E-Rate program are not eligible for reimbursement.²

Cause

The Service Provider stated that it inadvertently distributed its program service fee across eligible Internet access charges rather than across its monthly charges for ineligible filtering and firewall services. Further, the Beneficiary did not have adequate controls in place to identify and

¹ See also FCC Form 472, BEAR Form at Block 3 (requiring certification under penalty of perjury that the discount amounts listed in the BEAR Form represent charges for eligible services) (April 2017 version).

² See *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, 34 FCC Rcd 11959, 11962, App'x A (2019) (stating that “[e]ligible schools and libraries may seek E-Rate support for eligible Category One telecommunications services, telecommunications, and Internet access . . . as identified herein” and providing the FY 2020 Eligible Services List).

determine the reason for increases to the Service Provider’s approved Internet access rates or to ensure ineligible costs were removed from its invoices to USAC.

Effect

The monetary effect of this finding is \$152,471 (\$228,183 in ineligible invoiced costs multiplied by applicable discount rates), calculated as follows:

FRN	Ineligible Invoiced Costs	Discount Rate	Monetary Effect	Recommended Recovery
2099030444	\$65,964	86%	\$56,729	\$56,729
2099031706	\$46,920	79%	\$37,067	\$37,067
2099032487	\$48,507	59%	\$28,619	\$28,619
2099033120	\$66,792	45%	\$30,056	\$30,056
Total	<u>\$228,183</u>		<u>\$152,471</u>	<u>\$152,471</u>

Recommendations

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. USAC program staff review the Beneficiary’s BEAR Forms and Service Provider bills for FY 2017, 2018, 2019 and 2021 to determine whether additional ineligible costs were invoiced.
3. The Beneficiary implement controls to ensure that amounts invoiced to USAC exclude the cost of ineligible services.

Beneficiary Response

We acknowledge and agree that DPI invoiced USAC for ineligible program fees billed by its service provider. These fees were to be a separate line item within the annual billing between state agencies. At a distributed amount of less than \$70 per service location, these fees were simply not detected on invoice reviews.

This is being reviewed further and electronic analysis of each line item is being implemented to ensure this isn’t being overlooked.

Finding No. 2, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 – Beneficiary Invoiced the E-Rate Program for Amounts Greater than Requested on the FCC Form 471

Condition

The Beneficiary invoiced the E-Rate program for Internet access fees that exceeded the amounts requested on its FCC Form 471. Specifically, the Beneficiary requested, and USAC approved, FY 2020 funding for member locations at specific bandwidths and monthly costs. To support the

amounts that it had invoiced, the Beneficiary provided detailed documentation reconciling its North Carolina Department of Information Technology bills to its BEAR Forms for the period from July 2020 through February 2021. We noted that for 34 locations, the amounts invoiced to the E-Rate program exceeded the monthly cost requested on the Beneficiary’s FCC Form 471 as a result of unapproved service upgrades. Further, amounts invoiced for three locations exceeded the costs on both the Beneficiary’s FCC Form 471 and the Service Provider’s contract, even though the service had not been upgraded. In total, the Beneficiary’s invoices to USAC exceeded the approved funding for the period from July 2020 through February 2021 by \$120,372.

Cause

The Beneficiary did not have adequate controls in place to ensure that it did not invoice USAC for amounts that exceeded its approved funding from its FCC Form 471.

Effect

The monetary effect of this finding is \$90,267 (\$120,372 in ineligible invoiced costs multiplied by applicable discount rates), calculated as follows:

FRN	Ineligible Invoiced Costs	Discount Rate	Monetary Effect	Recommended Recovery
2099030444	\$61,257	86%	\$52,681	\$0
2099031706	\$29,284	79%	\$23,134	\$0
2099032487	\$7,348	59%	\$4,335	\$0
2099033120	\$22,483	45%	\$10,117	\$0
Total	\$120,372		\$90,267	\$0

Because the Beneficiary has since refunded the amounts due to the E-Rate program for the four FRNs, we are not recommending recovery for this finding.

Recommendation

We recommend that the Beneficiary implement controls to ensure that amounts invoiced to the E-Rate program do not exceed approved funding amounts.

Beneficiary Response

We acknowledge and agree the DPI invoiced USAC for Internet access fees that exceeded the monthly amounts requested and approved for funding. These invoicing errors have been repaid to USAC.

This is being reviewed further and electronic analysis of each invoice is being implemented to ensure this does not reoccur.

Finding No. 3, 47 C.F.R. § 54.507(d) (2019) – Beneficiary Invoiced the E-Rate Program for Services Delivered Outside of the Funding Year

Condition

The Beneficiary invoiced the E-Rate program for Internet access fees in FY 2020 that the Beneficiary had incurred in FY 2019. Specifically, the North Carolina Department of Information Technology's July 2020 bill included \$6,236 in charges for adjustments made to the Beneficiary's June 2020 Internet access costs that were inappropriately included in its July 2020 BEAR Form.

Cause

The Beneficiary did not have adequate controls in place to ensure it invoiced costs in the appropriate FY.

Effect

The monetary effect of this finding is \$4,398 (\$6,236 in ineligible invoiced costs multiplied by applicable discount rates), calculated as follows:

FRN	Ineligible Invoiced Costs	Discount Rate	Monetary Effect	Recommended Recovery
2099030444	\$3,308	86%	\$2,845	\$0
2099032487	\$1,682	59%	\$992	\$0
2099033120	\$1,246	45%	\$561	\$300
Total	<u>\$6,236</u>		<u>\$4,398</u>	<u>\$300</u>

The Beneficiary has refunded \$4,098 of the amount due to the E-Rate program for the FRNs, including \$2,845 for FRN 2099030444, \$992 for FRN 2099032487 and \$261 for FRN 2099033120. However, the Beneficiary has not yet refunded \$300 of the \$561 due for FRN 2099033120.

Recommendations

We recommend that:

1. USAC management seek recovery of the \$300 recommended recovery amount identified in the Effect section above.
2. The Beneficiary implement controls to ensure that amounts are invoiced to the E-Rate program within the appropriate Funding Years.

Beneficiary Response

We acknowledge and agree the DPI invoiced USAC for Internet access fees that the Beneficiary had incurred in the prior funding year. These invoicing errors have been repaid to USAC.

This is being reviewed further and electronic analysis of each invoice is being implemented to ensure this does not reoccur.

Finding No. 4, 47 C.F.R. § 54.516(a)(1) (2019) – Lack of Documentation – Beneficiary’s Members Did Not Demonstrate Compliance with CIPA³

Condition

Three of the ten consortium members that we tested for compliance with CIPA requirements did not maintain adequate documentation to demonstrate their compliance. Specifically, we sampled 10 of the members the Beneficiary included in its FCC Form 471 funding applications to determine whether the members complied with CIPA requirements. We were unable to determine whether three of these consortium members complied with the requirements, as follows:

1. The Hawbridge School (FRN 2099033120) was initially unable to provide documentation (e.g., public notice and/or meeting minutes) to demonstrate that it held a public meeting or hearing to discuss its ISP. In addition, its ISP did not address two required ISP elements: (a) the safety and security of minors when using direct electronic communications, and (b) unauthorized access and other unlawful activities by minors online. The member corrected its errors by updating its ISP to include the two missing elements and holding a June 8, 2022, public board meeting to approve the revised ISP. The member provided public notice and minutes for this meeting.
2. The Douglass Academy (FRN 2099031706) was initially unable to provide public notice and/or minutes of the public meeting it held to discuss its ISP, and its ISP did not address one required ISP element, unauthorized access and other unlawful activities by minors online. The member corrected its error by revising its ISP to include the missing element and holding a July 28, 2022, board meeting to discuss the revised policy.
3. PAVE Southeast Raleigh Charter School (FRN 2099031706) was initially unable to provide documentation (e.g., public notice and/or meeting minutes) to demonstrate that it held a public meeting or hearing to discuss its ISP. The member corrected its error by holding a special board meeting on June 23, 2022, to review and accept its ISP.

Cause

The Beneficiary’s consortium members did not have adequate policies and procedures in place to ensure that they (a) complied with CIPA and (b) properly retained records to demonstrate their compliance.

³ See also 47 C.F.R. § 54.520(c)(1)(ii), (h).

Effect

There is no monetary effect for this finding as each of the consortium members cured their CIPA violations by correcting their errors in response to the audit.

Recommendation

We recommend that the consortium members implement policies and procedures to ensure they comply with CIPA requirements and retain documentation to demonstrate their compliance.

Member Responses

The Hawbridge School

The Hawbridge School's Internet Safety Policy (ISP) appears in the school's policy manual as the "Acceptable Use Policy" which, at the time of the audit, had last been approved by the Hawbridge Board of Directors on June 25, 2014. After a thorough search of the school's records, both electronic and physical, neither school leadership nor the current board could locate minutes from the June 25, 2014, board meeting to document the policy's approval. This lack of documentation is likely the result of a complete administrative and board turnover in 2015, as well as a change in the school's electronic record-keeping system. On June 8, 2022, the Hawbridge Board reapproved the policy from June 25, 2014, and on September 6, 2022, the board amended the policy to comply with the requirements of the Children's Internet Protection Act (CIPA). Minutes from both the June 8, 2022, and the September 6, 2022, board meetings are available upon request.

The Douglass Academy

Thank you for the opportunity to correct the missing element in the ISP. We now have policies and procedures in place which will make sure our school is CIPA compliant.

PAVE Southeast Raleigh Charter School

RISE Southeast Raleigh Charter School, formerly PAVE Southeast Raleigh Charter School, has amended its procedures in order to comply with CIPA requirements. As such, the RISE Board will discuss and approve any CIPA-related content annually as it approves new policies and procedures for the upcoming school year.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.502(a) (2019).	<i>(a) Supported services. All supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (d) of this section. The services in this subpart will be supported in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms. The supported services fall within the following general categories:</i>

Finding	Criteria	Description
		<i>(1) Category one. Telecommunications services, telecommunications, and Internet access, as defined in § 54.5 and described in the Eligible Services List are category one supported services.</i>
1, 2	FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3	<p><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</i></p> <p><i>B. The discount amounts listed in this Billed Entity Applicant Reimbursement Form were already billed by the Service Provider and paid for by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.</i></p> <p><i>C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FDCL).</i></p>
3	47 C.F.R. § 54.507(d)(1) (2019)	<i>(d) Annual filing requirement. (1) Schools and libraries, and consortia of such eligible entities shall file new funding requests for each funding year no sooner than the July 1 prior to the start of that funding year. Schools, libraries, and eligible consortia must use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought.</i>
4	47 C.F.R. § 54.516(a)(1) (2019)	<i>(a) Recordkeeping Requirements- (1) Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory</i>

Finding	Criteria	Description
		<i>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>
4	47 C.F.R. § 54.520(c)(1)(ii) (2019)	<p><i>The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues:</i></p> <p><i>(A) Access by minors to inappropriate matter on the Internet and World Wide Web,</i></p> <p><i>(B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications,</i></p> <p><i>(C) Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online;</i></p> <p><i>(D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and</i></p> <p><i>(E) Measures designed to restrict minors’ access to materials harmful to minors.</i></p>
4	47 C.F.R. §54.520(h) (2019)	<i>(h) Public notice; hearing or meeting. A school or library shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.</i>
4	<i>Schools and Libraries Universal Support Mechanism, A National Broadband Plan for Our Future, CC Docket No. 02-6, Report and Order, 26 FCC Rcd 11819, 11828, para. 21 (2011)</i>	<i>“We agree in certain circumstances, USAC should give applicants the opportunity to correct minor errors that could result in violations of the Commission’s CIPA rules before instituting recovery of E-Rate funds, but such errors should be immaterial to statutory CIPA certification compliance. For example, if a school has complied in practice with the CIPA certification it has made with regard to the use of its Internet access services by minors, but has inadvertently left out one of the details of its practice in its written Internet safety policy, we would consider that to be an immaterial error that could be cured.”</i>
4	Letter from Dana R. Shaffer, Chief, WCB, FCC to	<i>“We note, however, that in certain instances, although the applicant may not have been in technical compliance, there</i>

Finding	Criteria	Description
	Scott A Barash, Acting CEO, USAC, WC Docket No. 02- 61, DA 09-86 (Jan. 16, 2009)	<i>was substantial compliance with the spirit of the CIPA requirements In this case, recovery is not warranted.”</i>

COTTON & COMPANY LLP ASSURANCE AND ADVISORY LLC



Megan P. Mesko, CPA, CFE
 Partner
 Alexandria, VA

Attachment I

SL2023SP040

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

WANRACK LLC

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

USAC AUDIT No. SL2023SP040

Cotton

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

Executive Summary

September 25, 2023

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

Dear Ms. Delmar:

Cotton & Company Assurance and Advisory, LLC (referred to as “we”), audited the compliance of Wanrack LLC (Service Provider), Service Provider Identification Number (SPIN) 143037316, for Funding Year (FY) 2021, 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 FCC Rules is the responsibility of Service Provider management. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on the audit, pursuant to 47 C.F.R. Section 54.516 (c).

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services that the Service Provider provided to E-Rate applicants, respectively, in the states of Arkansas, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Missouri, Montana, Nevada, Ohio, Oklahoma, and Wisconsin (Selected Beneficiaries). The audit also included performing other procedures we considered necessary to make a determination regarding the Service Provider’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 one detailed audit finding, discussed in the Audit Results and Recovery Action section below. For this report, a “finding” is

a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

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

Audit Result and Recovery Action

Based on the test work performed, our examination found that the Service Provider did not comply with FCC Rules, as provided in the audit finding discussed below.

Audit Result	Monetary Effect (A)	Overlapping Recovery (B)	USAC Recovery Action (A) – (B)
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 – Service Provider Did Not Bill Beneficiaries’ Non-Discount Share Prior to Invoicing the E-Rate Program. The Service Provider did not bill two beneficiaries for their non-discounted share of the cost of services before invoicing the E-Rate program.	\$0	\$0	\$0
Total Net Monetary Effect	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

USAC Management Response

USAC management concurs with the Audit Results stated above. USAC will request the Service Provider and the Beneficiaries discussed in this audit report provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Service Provider and the two Beneficiaries discussed in this audit report 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/service-providers/step-3-winning-the-bid/fcc-form-473-filing/>

USAC records show the Service Provider and Selected Beneficiaries are currently subscribed to Schools and Libraries weekly News Brief. USAC encourages the Service Provider and Selected

Beneficiaries to review the News Brief as it contains valuable information about the E-rate Program.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2021. The Service Provider is headquartered in Overland Park, Kansas and provides fiber Wide Area Networks (WANs) to customers in 22 states.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2021 as of March 22, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	<u>\$16,950,246</u>	<u>\$14,222,141</u>
Total	<u>\$16,950,246</u>	<u>\$14,222,141</u>

The “amount committed” total represents 57 FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiaries for FY 2021 that resulted in 81 Funding Request Numbers (FRNs). We selected a sample of 25 FRNs, which represent \$11,511,844 of the funds committed and \$10,886,511 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

We conducted inquiries with the Service Provider and the Selected Beneficiaries and examined documentation to determine whether equipment and services were E-Rate eligible and had been delivered and installed 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 equipment and services, as well as to obtain general background information.

B. Competitive Bid Process

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

C. Billing Process

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

D. Reimbursement Process

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

Detailed Audit Finding

Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 – The Service Provider Did Not Bill Beneficiaries’ Non-Discount Share Prior to Invoicing the E-Rate Program

Condition

The Service Provider did not bill two Selected Beneficiaries for their non-discount share of the cost of services before invoicing the E-Rate program.¹ The Service Provider invoiced the E-Rate program for special construction costs for two of the Selected Beneficiaries—El Reno (FRN 2199048646) and Great Falls (FRN 2199046472)—on an interim basis. However, the Service Provider did not bill for the two Selected Beneficiaries’ non-discount share of the costs incurred until the end of each project. Specifically:

- The Service Provider invoiced USAC for \$272,427 in project costs under FRN 2199048646 from September 2021 through June 2022; however, the Service Provider did not bill the Oklahoma Universal Service Fund (OUSF) (which was responsible for paying El-Reno’s non-discount share) for the non-discount share of the project costs (\$14,338) until July 2022.
- The Service Provider invoiced USAC for \$2,289,354 in project costs under FRN 2199046472 from September 2021 through November 2022; however, the Service Provider did not bill Great Falls for its non-discount share of the project costs (\$572,338) until November 2022.

¹See also 47 C.F.R. § 54.523 (2020)

Cause

The Service Provider did not bill OUSF for El Reno’s non-discount share of the project costs on an interim basis because OUSF required the Service Provider to complete construction before billing for its services.

The Service Provider did not bill Great Falls for its non-discount share of the project costs on an interim basis because its contract with Great Falls did not specify progress payments.

Effect

By not billing two of the Selected Beneficiaries for their non-discount share of the cost of the E-Rate eligible services before invoicing the E-Rate program, the Service Provider increased the risk that the two Beneficiaries would not pay their non-discount share. However, because the Service Provider later billed the two Beneficiaries for their non-discount share of the cost of the E-Rate eligible services and the Beneficiaries paid these amounts, this finding has no monetary effect.

Recommendation

We recommend that the Service Provider implement policies and procedures to ensure that it bills each Beneficiary’s non-discount share of the cost of services prior to the Service Provider invoicing the E-Rate program.

Service Provider Response

“WANRack thanks the auditors for the opportunity to respond. WANRack has implemented policies and procedures to ensure that it is billing each beneficiary for its non-discounted share of its cost of the services prior to invoicing the E-rate program.”

WANRack notes that it does not believe that the rules speak to whether an invoice must be sent by the service provider to the applicant if no payment is due. That was the case with El Reno. Because of the state match, El Reno did not owe any payment to WANRack, so WANRack did not send an invoice to El Reno. WANRack did send an invoice to the state of Oklahoma in July 2022; however, the state of Oklahoma was not the applicant. Therefore, WANRack did not bill El Reno after invoicing USAC; it billed the non-applicant provider of the state match after invoicing USAC. In these situations, going-forward, WANRack will send an invoice to the applicant prior to invoicing USAC.”

Auditor Response

The SPAC Form requires the Service Provider to certify that it has billed its Beneficiary customers for the services being invoiced to the E-Rate program. Moreover, FCC Rule 54.523 (47 C.F.R 54.523) requires Beneficiaries to pay the non-discount portion of the eligible equipment and services they purchase with universal service support and prohibits them from accepting free services. Based on the certification language from the SPAC Form, the Service Provider is required to bill its Beneficiary customers before invoicing the E-Rate program, regardless of who is ultimately responsible for paying the non-discount share of the cost of the E-Rate eligible services to the Service Provider. However, to address El Reno’s situation, we revised this finding to clarify that the Service Provider is required to bill the non-discount share for each of its Beneficiary customers before invoicing the E-Rate program, not that the non-

discount share must be billed to the Service Provider’s Beneficiary customers themselves. We made no other changes to the audit finding.

Criteria

Criteria	Description
<p>FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 Certification</p>	<p><i>I declare under penalty of perjury that the foregoing is true and correct: I am authorized to submit this Service Provider Annual Certification Form on behalf of above-named Service Provider, which has been assigned the above-referenced Service Provider Identification Number, and that based on information known to me or provided to me by employees responsible for the data being submitted, I hereby certify that the data set forth in this Form 473 has been examined and reviewed and is true, accurate and complete. I acknowledge that any false statement of this Form or on the Service Provider Invoice Form (FCC Form 474) can be punished by fine or forfeiture under the Communications Act, 47 U.S.C § 502,503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C § 1001, and that any such false statement could subject this Service Provider to liability under the False Claims Act.</i></p> <p><i>Item (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.</i></p> <p><i>Item (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 yet issues a reimbursement decision.</i></p>
<p>47 C.F.R.§ 54.523 (2020)</p>	<p><i>An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.</i></p>

Criteria	Description
<p><i>Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9036, para. 493 (1997)</i></p>	<p><i>Requiring schools and libraries to pay a share of the cost should encourage them to avoid unnecessary and wasteful expenditures because they will be unlikely to commit their own funds for purchases that they cannot use effectively. A percentage discount also encourages schools and libraries to seek the best pre-discount price and to make informed, knowledgeable choices among their options, thereby building in effective fiscal constraints on the discount fund.</i></p>
<p><i>Schools and Libraries Universal Service Support Mechanism , Third Report and Order and Second Further Notice of Proposed Rulemaking, CC Docket No. 02-6, 18 FCC Rcd 26912, 26929, para. 41 (2003)</i></p>	<p><i>We . . . take this opportunity to clarify and amend our rules to codify a prohibition on the provision of free services to an eligible entity by a service provider that is also providing discounted services to the entity. The Commission requires that an entity must pay the entire undiscounted portion of the cost of any services it receives through the schools and libraries program. For the purpose of this program, the provision of unrelated free services by the service provider to the entity constitutes a rebate of the undiscounted portion of the costs, a violation of the Commission’s rules.</i></p>

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