



Schools & Libraries Committee

Audit Report Briefing Book

Monday, October 27, 2025

Available For Public Use

Universal Service Administrative Company

700 12th Street, NW, Suite 900

Washington, D.C. 20005

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: July 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action*	Commitment Adjustment	Entity Disagreement
Attachment A Airespring, Inc.	5	No significant findings.	\$493,527	\$18,172	\$17,350	\$0	Partial
Attachment B Sheboygan Area School District	1	Failure to Comply with Competitive Bidding Requirements – The Beneficiary did not provide documentation that bids were evaluated or that price was the primary factor.	\$480,620	\$463,494	\$463,494	\$463,494	Y
Attachment C Clarke County School District	3	No significant findings.	\$109,152	\$20,994	\$28,752	\$13,884	Partial
Attachment D Cleveland Municipal School District	1	No significant findings.	\$1,954,382	\$10,401	\$0	\$0	Y
Attachment E Katy Independent School District	1	No significant findings.	\$4,273,833	\$10,085	\$10,085	\$0	Y
Attachment F Peak Methods, Inc.	0	Not applicable.	\$438,689	\$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
Attachment G ConvergeOne, Inc.	1	No significant findings.	\$23,166,995	\$4,599	\$0	\$0	N
Total	12		\$30,917,198	\$527,745	\$519,681	\$477,378	

* The USAC Management Recovery Action may be less than the Monetary Effect as there were overlapping findings that affected the same funding request, or the Beneficiary repaid the funds back to USAC.

INFO Item: Audit Released July 2025
Attachment A
10/27/2025

Attachment A

SL2022SP037

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

AIRESPRING, INC.

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

USAC AUDIT No. SL2022SP037



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

Executive Summary.....	1
Audit Results and Recovery Action	2
USAC Management Response	4
Purpose, Background, Scope, and Procedures.....	4
Detailed Audit Findings and Other Matter	6
Finding No. 1, 47 C.F.R. § 54.502(a)(1) (2019) – Service Provider Invoiced E-Rate Program for Ineligible Expenses	6
Finding No. 2, FCC Form 472, BEAR Form at Block 3 (2020) – Beneficiary Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills.....	8
Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form, at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills	9
Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Duplicative Services	11
Finding No. 5, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program at Prices Exceeding the Price Approved for Funding	12
Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed Beneficiaries for Discount Share of Services	13
Criteria	14



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
AIRESRING, INC.
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

June 21, 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:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”), audited the compliance of Airespring, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143029426, for Funding Year (FY) 2020, using regulations set forth in 47 C.F.R. Part 54, and orders and other program requirements governing the federal Universal Service E-Rate program (collectively, the Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our performance audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services that the Service Provider provided to E-Rate applicants in the states of Alabama, Arizona, California, Connecticut, Colorado, Florida, Georgia, Illinois, Indiana, Missouri, New Jersey, New Mexico, New York, Pennsylvania, and Tennessee (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 audit disclosed five detailed audit findings and one other matter, 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. An “other matter” is a condition that does not

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

necessarily constitute a violation of FCC Rules but that warrants the attention of the Service Provider and USAC Management.

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

Audit Results and Recovery Action

Based on the test work performed, our audit found that the Service Provider and selected Beneficiaries did not comply with FCC Rules, as detailed in the five audit findings and one other matter discussed below.

Audit Results	Monetary Effect ²	Overlapping Recovery ³	USAC Recovery Action ⁴
Finding No. 1, 47 C.F.R. § 54.502(a)(1) (2019) – Service Provider Invoiced the E-Rate Program for Ineligible Expenses. The Service Provider invoiced the E-Rate program for ineligible administrative expenses, property tax surcharges, and finance charges.	\$7,784	\$0	\$7,784
Finding No. 2, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2020) – Beneficiary Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills. One Beneficiary invoiced the E-Rate program for amounts that exceeded the eligible costs the Service Provider billed.	\$4,339	\$0	\$4,339
Finding No. 3, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2020); FCC Form 474, Service Provider Invoice (SPI)	\$1,686	\$0	\$1,686

²The monetary effect column represents the actual dollar effect of the finding without taking into account any recovery that overlaps between findings

³The overlapping recovery column represents disbursements that have already been recommended for recovery in a previous finding and that therefore cannot be recovered as part of another finding.

⁴Amounts in the USAC recovery action column represent the total funds that we recommend USAC recover. These amounts may be less than the amounts reported in the monetary effect column.

Audit Results	Monetary Effect ²	Overlapping Recovery ³	USAC Recovery Action ⁴
Form, at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills. The Service Provider invoiced the E-Rate program for amounts that exceeded the amounts it billed to two Beneficiaries.			
Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Duplicative Services. The Service Provider invoiced the E-Rate program for services that overlapped at two locations.	\$1,010	\$0	\$1,010
Finding No. 5, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program at Prices that Exceeded the Prices Approved for Funding. The Service Provider invoiced the E-Rate program for Internet access services at prices that were higher than the monthly recurring cost approved for funding.	\$3,353	\$822	\$2,531
Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed the Beneficiaries for the Discount Share of Services. The Service Provider routinely billed Beneficiaries for the discounted share of service costs.	\$0	\$0	\$0
Total Net Monetary Effect	<u>\$18,172</u>	<u>\$822</u>	<u>\$17,350</u>

USAC Management Response

USAC Management concurs with the audit results and will issue a commitment adjustment and/or seek recovery of the E-Rate program support amount consistent with the FCC Rules. In addition, USAC Management will request that the Service Provider address the areas of deficiency that are identified below in the audit report. See the chart below for USAC Management's recovery action by FRN.

FRN	Recovery Amount
2099054213	\$5,844
2099019200	\$1,088
2099009341	\$3,353
2099008099	\$228
2099065661	\$76
2099048386	\$4,339
2099021096	\$1,412
2099085969	\$1,010
Total	\$17,350

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2020. The Service Provider is a managed services provider headquartered in Clearwater, Florida, and provides Internet access services to customers throughout the United States.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2020 as of April 26, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$597,811	\$493,527
Total	<u>\$597,811</u>	<u>\$493,527</u>

The "amount committed" total represents 30 FCC Form 471 *Description of Services Ordered and Certification Form* applications submitted by the selected Beneficiaries for FY 2020 that resulted in 31 Funding Request Numbers (FRNs). We selected a sample of 21 of the FRNs,⁵ which represent \$559,683 of the funds committed and \$482,118 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

⁵We tested FRNs 2099081072, 2099085969, 2099054213, 209906934, 2099058699, 2099058701, 2099019980, 2099029110, 2099065661, 2099019200, 2099026485, 2099075447, 2099021096, 2099059497, 2099000935, 2099015342, 2099045466, 2099009341, 2099009168, 2099008099, and 2099048386.

A. Eligibility Process

We obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. We conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to determine whether the services requested by the selected Beneficiaries were eligible for reimbursement from the E-Rate program and whether the Service Provider had delivered the services 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 provided services in compliance with FCC Rules.

B. Competitive Bidding Process

We conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected Beneficiaries' competitive bidding process. We reviewed the Service Provider's contracts with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the services requested and purchased to determine whether the services provided by the Service Provider matched those requested in the selected Beneficiaries' FCC Form 471s, *Description of Services Ordered and Certification Forms*. We also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar services to non-residential customers similarly situated to the selected Beneficiaries.

C. Billing Process

We reviewed the FCC Form 474s, *Service Provider Invoice (SPI)* Forms, and Form 472s, *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.

D. Reimbursement Process

We obtained and examined the SPI Forms and BEAR Forms that the Service Provider and the selected Beneficiaries submitted to USAC for reimbursement for the services delivered to the selected Beneficiaries and performed procedures to determine whether the Service Provider and 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 billed the selected Beneficiaries for only the non-discount portion of the cost, or if the Service Provider issued credits on its bills to the selected Beneficiaries.

Detailed Audit Findings and Other Matter

Finding No. 1, 47 C.F.R. § 54.502(a)(1) (2019) – Service Provider Invoiced E-Rate Program for Ineligible Expenses

Condition

The Service Provider invoiced the E-Rate program for administrative expenses, property tax surcharges, and finance charges which are not eligible for the following reasons:⁶

- Administrative expenses are charges for universal service administration and thus not eligible per the FY 2020 Eligible Services List (ESL).
- The Service Provider bills property tax surcharges to recover taxes imposed by government authorities on property it owns. These are administrative expenses and not costs incurred in providing services.
- Finance charges are assessed when Beneficiaries do not pay their bills on time. These are not costs incurred in providing services.

The Service Provider invoiced these ineligible expenses under the following FRNs:

- **FRN 2099054213.** The Service Provider billed Edkey Inc, a selected Beneficiary, for \$6,346 in property taxes and \$3,213 in universal service administrative expenses, for a total of \$9,559 in ineligible costs. However, because the total amount billed exceeded the FRN funding cap, the Service Provider only invoiced \$7,305 of this amount to the E-Rate program.⁷
- **FRN 2099019200.** The Service Provider billed Baldwin Academy East Inc., a selected Beneficiary, for \$572 in finance charges, \$446 in property taxes, and \$225 in universal service administrative expenses, for a total of \$1,243 in ineligible costs. The Service Provider invoiced \$1,209 of this amount to the E-Rate program.⁸
- **FRN 2099009341.** The Service Provider billed Grand Street Settlement, Inc., a selected Beneficiary—and invoiced the E-Rate program—for \$405 in property taxes and \$204 in administrative expenses, for a total of \$609 in ineligible costs.
- **FRN 2099008099.** The Service Provider billed Adelphoi Education School District, a selected Beneficiary for \$248 in property taxes and \$125 in administrative expenses, for a

⁶See also 47 C.F.R. § 54.504(e)(1); §54.504(f)(4) - (f)(5); and *Requests for Waiver and Review of Decisions of the Universal Service Administrator by AllWays, Inc.*, CC Docket 02-6 (WCB 2012) upholding denials of funding requests for services that are not eligible for E-Rate program support

⁷The Service Provider invoiced the E-Rate program a total of \$290,529 under this FRN; however, its bills only supported \$283,224 in eligible costs. (\$290,529 - \$283,224 = \$7,305)

⁸The Service Provider invoiced the E-Rate program a total of \$21,709 under this FRN; however, its bills only supported \$20,500 in eligible costs. (\$21,709 - \$20,500 = \$1,209)

total of \$373 in ineligible costs. The Service Provider invoiced \$285 of this amount to the E-Rate program.⁹

- **FRN 2099065661.** The Service Provider billed Learn Regional Education Service Center, a selected Beneficiary for \$147 in property taxes and \$74 in administrative expenses, for a total of \$221 in ineligible costs. The Service Provider invoiced \$95 of this amount to the E-Rate program.¹⁰

Cause

The Service Provider did not have sufficient policies, controls and procedures in place to ensure that it only billed Beneficiaries—and invoiced the E-Rate program—for services eligible per USAC’s ESL.

Effect

The monetary effect of this finding is \$7,784 (ineligible costs for each Beneficiary multiplied by each Beneficiary’s applicable discount rate), as calculated below.

Support Type	Ineligible Costs	Discount Rate	Monetary Effect	Recommended for Recovery
Internet Access FRN 2099054213	\$7,305	80%	\$5,844	\$5,844
Internet Access FRN 2099019200	\$1,209	90%	\$1,088	\$1,088
Internet Access FRN 2099009341	\$609	90%	\$548	\$548
Internet Access FRN 2099008099	\$285	80%	\$228	\$228
Internet Access FRN 2099065661	\$95	80%	\$76	\$76
Total			<u>\$7,784</u>	<u>\$7,784</u>

Recommendations

We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.
2. The Service Provider implement policies, controls and procedures to ensure it only bills beneficiaries—and invoices the E-Rate program—for services listed in USAC’s ESL.

Service Provider Response

Airespring understands and agrees with the auditor’s findings. Accordingly, Airespring implemented procedures in its Finance Department and Regulatory Department to compare

⁹The Service Provider invoiced the E-Rate program a total of \$11,512 under this FRN; however, its bills only supported \$11,227 in eligible costs. (\$11,512- \$11,227= \$285)

¹⁰The Service Provider invoiced the E-Rate program a total of \$6,882 under this FRN; however, its bills only supported \$6,787 in eligible costs. (\$6.882- \$6,787= \$95)

each invoice against the specific services approved by USAC for reimbursement. Airespring will only invoice USAC for those services as rendered to the customer. Airespring is paying especially close attention to property taxes, finance charges, and administrative expenses.

Finding No. 2, FCC Form 472, BEAR Form at Block 3 (2020) – Beneficiary Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills

Condition

One selected Beneficiary, Soulesville Charter Consortium, invoiced the E-Rate program for amounts that exceeded the eligible costs the Service Provider billed.¹¹ Specifically, the Service Provider billed the selected Beneficiary \$11,316 for 250 Mbps Internet services provided from October 7, 2020, to June 30, 2021. However, the selected Beneficiary invoiced USAC for \$16,137 for FY 2020 Internet services because it inadvertently invoiced the pre-discount amount that USAC approved for funding, rather than the actual cost of eligible services received. As a result, the selected Beneficiary over-invoiced the E-Rate program by \$4,821 (calculated as \$16,137 - \$11,316).

Cause

Soulesville Charter Consortium did not have adequate policies, controls and procedures in place to ensure that it accurately invoiced the E-Rate program based on the actual costs the Service Provider billed, rather than on the funding available for the funding year.

Effect

The monetary effect of this finding is \$4,339 (\$4,821 multiplied by the Beneficiary's 90 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2099048386	\$4,339	\$4,339

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The selected Beneficiary implement policies, controls and procedures to ensure the accuracy of its BEAR forms prior to invoicing the E-Rate program.

Beneficiary Response

There was some confusion on the applicant's part about when the service was installed, and the applicant mistakenly invoiced for 12 months of service. The applicant agrees that an extra 3.5 months of service was invoiced. To ensure that this error could not happen again the applicant has changed to SPI billing starting with the 2021 reimbursements.

¹¹See also 47 C.F.R. § 54.504(f)(4)-(f)(5) (2019).

Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form, at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Amounts Not Reconciled to the Service Provider Bills

Condition

As a result of its E-Rate invoicing practices, the Service Provider invoiced the E-Rate program for amounts that exceeded the amounts it billed to two selected Beneficiaries in FY 2020. Specifically, because the Service Provider invoiced the E-Rate program for recurring services provided from August 2020 to July 2021, rather than for services provided during the FY 2020 funding year (July 2020 to June 2021), and because the cost of those services increased during the funding year, the Service Provider over-invoiced the E-Rate program.¹² The Service Provider over-invoiced the E-Rate program for services provided under the two FRNs, as follows:

- **FRN 2099021096, Greater Atlanta Adventist Academy.** The Service Provider began providing services to Greater Atlanta Adventist Academy, a selected Beneficiary, under this FRN on November 10, 2020. The Service Provider billed the Beneficiary \$10,626 for eligible services received from November 10, 2020, through June 30, 2021 (7 months and 20 days). However, the Service Provider's FY 2020 SPIs to USAC totaled \$12,391 for 9 full months of service (November 1, 2020 through July 30, 2021). As a result, the Service Provider invoiced the E-Rate program \$1,765 (calculated as \$12,391 - \$10,626) for services that the Beneficiary did not receive in FY 2020.
- **FRN 2099009341, Grand Street Settlement, Inc.** In December 2020, the Service Provider increased the monthly recurring costs it billed Grand Street Settlement, Inc., a selected Beneficiary, for services funded under this FRN from \$1,497 per month to \$1,649 per month. As a result, the Service Provider should have invoiced the E-Rate program at the higher \$1,649 rate for 7 months in FY 2020 (December 2020 through June 2021). However, the Service Provider invoiced the E-Rate program \$1,649 per month for 9 months in FY 2020 (November 2020 through July 2021) resulting in over-invoiced fees of \$304 (calculated as \$152 (\$1,649 minus \$1,497) * 2 months).

Cause

The Service Provider did not have sufficient policies, controls and procedures in place to ensure that it only invoiced the E-Rate program for amounts billed and services provided within the appropriate funding year.

Effect

The monetary effect of this finding is \$1,686: \$1,412 for FRN 2099021096 (\$1,765 multiplied by the Beneficiary's 80 percent discount rate) and \$274 for FRN 2099009341 (\$304 multiplied by the Beneficiary's 90 percent discount rate).

¹²See also 47 C.F.R. § 54.504(f)(4)–(f)(5) (2019) and § 54.507(d) (2019).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2099021096	\$1,412	\$1,412
Internet Access FRN 2099009341	\$274	\$274
Total	<u>\$1,686</u>	<u>\$1,686</u>

Recommendations

We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.
2. The Service Provider implement policies, controls and procedures to ensure that 1) it only invoices the E-Rate program for costs incurred within the applicable funding year, and 2) its bills for each funding year reconcile to its SPIs.

Service Provider Response

In the table above FRN 2099021096 appears to be incorrectly labeled and should instead be FRN 2099045466.

With respect to FRN 2099045466, for Greater Atlanta, Airespring brought up with the auditors at the exit interview on Friday June 16, 2023 that Airespring still believed it had invoiced USAC correctly. Airespring pointed out that it prorated services for the first month of service in to start on the November 10, 2020, as opposed to charging USAC for the full month. Both the auditors and Airespring decided to recheck their records after the exit interview. Regardless of where the mistake was made, Airespring has a process and policy of only charging USAC (and the customer) from the actual start of service, even if the actual start of service is mid-month.

With respect to FRN 2099009341, Grand Street Settlement, Inc. invoicing for services that change during the year as provided to the beneficiaries, Airespring understands and agrees with the auditor's findings. Airespring now understands it must continue to only reimburse the approved amount (or lesser if the underlying service is less or discontinued) and that the beneficiary is to submit to USAC a Substitution of Services form if it wishes to be reimbursed for the higher rate. Airespring processes now check and guard against asking USAC for reimbursement of any amount above the approved amount for services, even in the event of a price increase to the customer. Also, in the event of a price increase, Airespring will advise the customer to submit to USAC a Substitution of Services form if it wishes to be reimbursed for the higher rate.

Auditor Response

Our draft report incorrectly referred to FRN 2099045466 in the first bullet of the Condition for this finding (that FRN was awarded to another Airespring Beneficiary). The correct FRN for the FY 2020 funding that Greater Atlanta Adventist Academy received is FRN 2099021096. After the exit conference with Airespring representatives we sent them additional details supporting our calculation of the over-invoiced amount for FRN 2099021096. In a June 21, 2023 e-mail

Airespring concurred with our calculation and agreed that it had erroneously invoiced USAC for an entire month of services in November 2020.

Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Duplicative Services

Condition

The Service Provider invoiced the E-Rate program for duplicative services under FRN 2099085969.¹³ Specifically, Cornerstone Schools of Alabama, a selected Beneficiary, upgraded its Internet access from 250 Mbps to 1000 Mbps for two locations during FY 2020. Although the Service Provider began providing the 1000 Mbps services in December 2020 and January 2021 it did not prorate the selected Beneficiary's monthly Internet access charges based on the installation date for the new services. Instead, it billed the selected Beneficiary for both the 250 Mbps Internet access and the 1000 Mbps Internet access from the date of installation through the end of the month. As a result, the Service Provider invoiced the E-Rate program for \$292 in duplicative services for 8 days in December 2020 and \$970 in duplicative services for 26 days in January 2021, for a total of \$1,262.

Cause

The Service Provider did not have policies, controls and procedures in place to ensure that it did not invoice the E-Rate program for overlapping service periods when it installed upgrades.

Effect

The monetary effect of this finding is \$1,010 (\$1,262 multiplied by the Beneficiary's 80 percent discount rate).

FRN	Monetary Effect	Recommended Recovery
Internet Access FRN 2099085969	\$1,010	\$1,010

Recommendations

We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.
2. The Service Provider implement policies, controls and procedures to ensure it does not invoice the E-Rate program for overlapping services.

Service Provider Response

Airespring implemented a process whereby only the approved circuits and amounts are invoiced for reimbursement. Airespring will not invoice the E-rate program for overlapping services. (Overlapping services can occur when the E-rate customer i) moves to a different location or ii) changes circuit providers, and the new circuit is activated before the old circuit is deactivated.)

¹³See also 47 C.F.R. § 54.504(f)(4)-(f)(5) (2019).

Finding No. 5, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program at Prices Exceeding the Price Approved for Funding

Condition

The Service Provider invoiced the E-Rate program at prices that were higher than the monthly recurring cost approved for funding for FRN 2099009341 for Grand Street Settlement, Inc., a selected Beneficiary.¹⁴ Specifically, although USAC approved funding at \$1,300 per month for each 100 Mbps service connection provided to the selected Beneficiary, the Service Provider billed the Beneficiary, and invoiced the E-Rate program, monthly fees ranging from \$1,497 to \$1,649 in FY 2020. The total amount invoiced for the one 100 Mbps connection for 12 months was \$19,326, which exceeded the \$15,600 approved for funding by \$3,726.

Cause

The Service Provider did not have policies, controls and procedures in place to ensure that it did not invoice the E-Rate program at prices that exceeded the amount approved for funding.

Effect

The monetary effect is \$3,353 (\$3,726 multiplied by the Beneficiary's 90 percent discount rate).

Support Type FRN	Monetary Effect	Overlapping Recovery ¹⁵	Recommended Recovery
Internet Access FRN 2099009341	\$3,353	\$822	\$2,531

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement policies, controls and procedures to ensure it does not invoice the E-Rate program for amounts exceeding approved funding.

¹⁴ See also 47 C.F.R. § 54.504(f)(4)-(f)(5) (2019).

¹⁵ We have reduced the recommended recovery amount for this finding because \$822 of the questioned costs overlap with costs recommended for recovery for this FRN in Findings 1 (\$548) and 3 (\$274).

Service Provider Response

The Service Provider did not provide a response to this audit finding.

Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, para. 235¹⁶ – Service Provider Billed Beneficiaries for Discount Share of Services

Condition

The Service Provider billed Beneficiaries for the non-discounted share of service costs on all of the bills tested where the Beneficiaries chose the SPI invoicing method. Under the SPI method, service providers bill beneficiaries for the non-discounted share of eligible services (as well as the full amount of any ineligible services) and invoice the E-Rate program for the discounted share of eligible services. The beneficiary is only responsible for paying the non-discounted share of eligible services, plus the cost of any ineligible services. However, when reviewing bills for each SPI we tested, we found that the Service Provider billed the Beneficiary for the total cost of the services provided before seeking reimbursement from the E-Rate program for the discounted share of the eligible services. The Service Provider then credited the Beneficiary's account for the amount the Service Provider received from the E-Rate program. The Service Provider generally provided these credits on a quarterly basis.

Cause

The Service Provider's current billing practices are not designed to ensure that it only bills Beneficiaries for the non-discounted share of E-Rate-funded services, consistent with FCC rules.

Effect

The Service Provider's use of the SPI method may cause the Service Provider to initially collect more than the discounted amount of eligible services from Beneficiaries and may put the Service Provider at risk of ultimately charging Beneficiaries more than the non-discounted amount for these services, resulting in over-collection. This practice also increases the Service Provider's risk of violating FCC Rules regarding the discounted amount when invoicing under the SPI method.

There is no monetary effect for this finding, as the Service Provider ultimately applied E-Rate credits to the selected Beneficiaries' bills. However, we note that the Beneficiaries were entitled to E-Rate discounts, and those Beneficiaries may experience cash flow issues if the Service Provider bills for the entire pre-discount amount under the SPI method, or if they do not credit the Beneficiaries' bills in a timely manner.

¹⁶ See also 47 C.F.R. § 54.504(f)(4) - (f)(5); Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order FCC 97-157, para. 586 (1997); Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Second Report and Order and Future Notice of Proposed Rulemaking (FNPRM), FCC 03-101, para. 44, 46-47 (2003).

Recommendation

We recommend that the Service Provider implement policies, controls, and procedures to ensure it only bills Beneficiaries for the non-discounted share of eligible services, in addition to the full cost of ineligible services.

Service Provider Response

Airespring understands the auditor's recommendation. As a result, Airespring now will issue credits on an E-rate customer's monthly invoice equal to the approved E-rate discount for the customer. Using this process, the E-Rate beneficiaries receive their E-Rate discounts on their invoices.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.502 (a)(1) (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> <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	47 C.F.R. § 54.504(e)(1) (2019)	<i>Ineligible components. If a product or service contains ineligible components, costs must be allocated to the extent that a clear delineation can be made between the eligible and ineligible components. The delineation must have a tangible basis, and the price for the eligible portion must be the most cost-effective means of receiving the eligible service.</i>
1, 2, 3, 4, 5	47 C.F.R. § 54.504(f)(4) – (f) (5) (2019)	<i>4) The service provider listed on the FCC Form 473 certifies that the invoices that are submitted by this Service Provider to the Billed Entity for reimbursement pursuant to Billed Entity Applicant Reimbursement Forms (FCC Form 472) are accurate and represent payments from the Billed Entity to the Service Provider for equipment and services provided pursuant to E-rate program rules.</i> <i>5) The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the Service Provider.</i>

Finding	Criteria	Description
1	<i>Requests for Waiver and Review of Decisions of the Universal Service Administrator by AllWays, Inc., CC Docket 02-6 (WCB 2012)</i>	<i>Consistent with Commission rules, we deny 25 requests from petitioners seeking review of decisions made by the Universal Service Administrative Company (USAC) under the E-rate program (more formally known as the schools and libraries universal service support program). In each decision, USAC found that the applicants sought support for service, products or maintenance that are not eligible for E-rate funding. Applicants may seek E-rate support only for eligible telecommunications services or the other services and products that have been designated as eligible for E-rate support. Based on our review of the record, we affirm USAC's decisions and deny these requests.</i>
2	FCC Form 472, Billed Entity Applicant Reimbursement BEAR Form at Block 3 (2020)	<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> <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> <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>
3	47 C.F.R. § 54.507(d) (2019)	<i>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>
3, 4, 5	Service Provider Annual Certification (SPAC) Form, FCC Form 473, OMB 3060-0856, at Block 2 (2020) (FCC Form 473)	<i>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> <i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the 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</i>

Finding	Criteria	Description
		previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision. 11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the Service Provider.
3, 4, 5	Service Provider Invoice (SPI) Form, FCC Form 474, at Block 3 (2020) (FCC Form 474)	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 commitment. B. I certify that the certifications made on the Service Provider Annual Certifications Form (FCC Form 473) by the Service Provider are true and correct."

Other Matter	Criteria	Description
1	Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 235 (2014) (First 2014 E-Rate Order)	We take this opportunity to reiterate that the E-Rate applicants continue to have the option of electing BEAR or SPI reimbursement. Thus, when the applicant pays only the discounted cost of the services directly to the service provider through the SPI process, the service provider will continue to file a SPI form with USAC to receive reimbursement.
1	47 C.F.R. § 54.504(f)(4) – (f) (5) (2019)	4) The service provider listed on the FCC Form 473 certifies that the invoices that are submitted by this Service Provider to the Billed Entity for reimbursement pursuant to Billed Entity Applicant Reimbursement Forms (FCC Form 472) are accurate and represent payments from the Billed Entity to

Other Matter	Criteria	Description
		<i>the Service Provider for equipment and services provided pursuant to E-rate program rules.</i> <i>5) The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the Service Provider.</i>
1	<i>Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order FCC 97-157 at para. 586 (1997)</i>	<i>We conclude that requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.</i>
1	<i>Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Second Report and Order Future Notice of Proposed Rulemaking (FNPRM), FCC 03-101, para.44, 46-47 (2003)</i>	<i>We first conclude that we should adopt a rule requiring service providers to give applicants the choice each funding year either to pay the discounted price or to pay the full price and then receive reimbursement through the BEAR process. . . . We find that providing applicants with the right to choose [their] payment method is consistent with section 254. Although section 254(h)(1)(B) requires that telecommunications carriers providing discounted services be permitted to choose the method by which they receive reimbursement for the discounts that they provide to schools and libraries, i.e., between receiving either a reimbursement for the discount or an off-set against their obligations to contribute to the universal service fund, the statute does not require that they be permitted to choose the method by which they provide those discounts to the school or library in the first place. In addition, we find that providing applicants with the right to choose which payment method to use will help ensure that all schools and libraries have affordable access to telecommunications and Internet access services. The Commission previously noted in the Universal Service Order that requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries. . . . In light of the record before us, we conclude that the potential harm to schools and libraries from being required to make full payment upfront, if they are not prepared to, justifies giving applicants the choice of payment method.</i>

Sikich CPA LLC

INFO Item: Audit Released July 2025
Attachment B
10/27/2025

Attachment B

SL2023LR020

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

SHEBOYGAN AREA SCHOOL DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES
USAC AUDIT No. SL2023LR020



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	2
DETAILED AUDIT FINDING.....	5
FINDING, 47 C.F.R. § 54.503(c) (2020) – FAILURE TO COMPLY WITH COMPETITIVE BIDDING REQUIREMENTS	5
CRITERIA	7

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

Executive Summary

February 22, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “we”) audited the compliance of Sheboygan Area School District (Beneficiary), Billed Entity Number (BEN) 132785, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, 2) data used to calculate the discount percentage and the type and amount of equipment and services received, and 3) a 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 audit disclosed one detailed audit finding, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a

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

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 audit disclosed that the Beneficiary did not comply with FCC Rules, as provided in the detailed finding discussed below.

Audit Results	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
Finding No. 1, 47 C.F.R. § 54.503(c) (2020) – Failure to Comply with Competitive Bidding Requirements. The Beneficiary did not comply with competitive bidding requirements when issuing FCC Forms 470 and associated Requests for Quotations.	\$463,494	\$463,494	\$463,494
Total Net Monetary Effect	<u>\$463,494</u>	<u>\$463,494</u>	<u>\$463,494</u>

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC may review other FCC Forms 470 filed by the Beneficiary during the audited Fund Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Beneficiary to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/selecting-service-providers/how-to-construct-an-evaluation/>
- <https://www.usac.org/e-rate/learn/webinars/> (Filing the FCC Form 470 and the Competitive Bidding Process Webinar, August 25, 2022). Please see timestamps 18:50-19:55 and 24:25-26:05.

- <https://apps.usac.org/sl/tools/news-briefs/preview.aspx?id=995>. Please see “FCC Form 470 Reminders”.

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
2199025749	\$463,494

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2021. The Beneficiary is a school district located in Sheboygan County, Wisconsin, that serves approximately 9,500 students in 25 schools.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2021 as of February 27, 2023, the date that the audit commenced.

Service Type	Amount Committed	Amount Disbursed
Basic Maintenance of Internal Connections	\$28,542	\$6,565
Data Transmission and/or Internet Access	\$21,120	\$10,560
Internal Connections	\$463,495	\$463,495
Total	<u>\$513,157</u>	<u>\$480,620</u>

The “amount committed” total represents three FCC Forms 471, *Description of Services Ordered and Certification Forms*, submitted by the Beneficiary for FY 2021 that resulted in three approved Funding Request Numbers (FRNs). We selected all three FRNs for testing,² which represent \$513,157 of the funds committed and \$480,620 of the funds disbursed during the audit period. We performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We conducted inquiries, 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

² Our testing included FRNs 2199025114, 2199025749, and 2199026589.

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

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible services and equipment as the primary factor when selecting its Service Providers. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers. Additionally, we examined the Service Provider contracts to determine whether they were properly executed.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Forms 472, *Billed Entity Applicant Reimbursement (BEAR)* Forms; FCC Forms 474, *Service Provider Invoice (SPI)* Forms; and corresponding selected Service Provider bills were consistent with the terms and specifications of the selected Service Provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share to the Service Providers.

D. Site Visit

We performed a 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 selected Service Providers 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 and SPI Forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR Forms and SPI Forms and the corresponding selected 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 No. 1, 47 C.F.R. § 54.503(c) (2020) – Failure to Comply with Competitive Bidding Requirements

Condition

The Beneficiary did not comply with competitive bidding requirements when issuing FCC Forms 470 and associated Requests for Quotations (RFQs) for Internet access funded under FRN 2199025114, equipment funded under FRN 2199025749, and basic maintenance of internal connections (BMIC) funded under FRN 2199026589. Specifically:

- The Beneficiary solicited bids for wireless access points (equipment) funded under FRN 2199025749 using an RFQ. The Beneficiary specified that the wireless access points must be brand-name “or equivalent” in its FCC Form 470; however, it did not include the term “or equivalent” in its RFQ, as required by FCC Rules if the entity is requesting a brand-name product.³
- For all three procurements, the Beneficiary did not provide documentation, e.g., a bid evaluation sheet or comparison, showing that all bids were evaluated, as required by FCC rules.⁴
- For all three procurements, the Beneficiary did not demonstrate using price as the primary factor for bid selection as required by FCC rules.⁵ Rather, it only considered the brand name and its preferred services.

³ See *Request for Review of a Decision of the Universal Service Administrator by Queen of Peace High School*, CC Docket No. 02-6, Order, DA 11-1191, 26 FCC Rcd 16466, 16469, para. 8 (WCB 2011) (*Queen of Peace Order*) (concluding that “allowing applicants to reference specific vendors in their Form 470 or RFP poses a risk to the competitive bidding process” and that “applicants must not include the manufacturer’s name or brand on their FCC Form 470 or in their RFPs unless they also use the words ‘or equivalent’ to describe the requested product or service”).

⁴ See 47 C.F.R. § 54.503(c) (“All bids submitted for eligible products and services will be carefully considered, with price being the primary factor, and the bid selected will be for the most cost-effective service offering consistent with §54.511.”); 54.511(a) (explaining that “[i]n determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered”); *Requests for Review of Decisions of the Universal Service Administrator by Central Islip Free Union School District et al.*, CC Docket No. 02-6, Order, DA 11-1087, 26 FCC Rcd 8630, 8635-8636, para. 12 (WCB 2011) (*Central Islip Order*) (requiring applicants to provide documentation, a bid sheet or comparison, showing how all bids were evaluated at the time that they were received); Description of Services Requested and Certification Form, FCC Form 470, Certifications and Signature (2020) (requiring an applicant to certify that price is used as the primary factor); see also 47 C.F.R. § 54.516(a) (requiring schools, libraries, and consortia of schools and libraries to retain all documents related to the application for eligible 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); Description of Services Requested and Certification Form, FCC Form 470, Certifications and Signature (2020) (requiring an applicant to certify that it will retain the required documents for a period of at least 10 years).

⁵ See 47 C.F.R. § 54.511.

As a result of these instances of non-compliance, the Beneficiary did not ensure fair and open competition when purchasing E-Rate-funded services and equipment. We noted that the Beneficiary only received one responsive bid for each of the RFQs for Internet access, internal connections, and BMIC. Therefore, even though price was not its primary selection factor, the Beneficiary awarded the Internet access, internal connections, and BMIC contracts to the responsive Service Providers that submitted a bid for FRNs 2199026589 and 2199025114.

Cause

The Beneficiary did not have sufficient policies, procedures, and internal controls in place for applying evaluation criteria to competitive bidding requirements. Specifically, the Beneficiary did not understand the requirements for acquiring E-Rate-funded equipment and services under a fair and open competitive bidding process. Additionally, the Beneficiary did not have standardized controls or templates in place to ensure it appropriately evaluated bids submitted for requested goods and services and only considered its preferred goods and services.

Effect

If the RFQ does not indicate that the Beneficiary will accept equivalent brands, Service Providers may be deterred from submitting bids, which may in turn prevent the Beneficiary from receiving more competitive prices. Further, the Beneficiary did not maintain documentation showing how all bids were evaluated at the time they were received or that price was the primary factor that was considered. This could result in an inability to document whether the most cost-effective service offering was selected.

For FRN 2199025749, the monetary effect of this finding is \$463,494 (\$579,368 invoiced to the E-Rate program multiplied by the Beneficiary's 80 percent discount rate); i.e., the total amount that USAC funded and disbursed for equipment purchased under this FRN.

For FRNs 2199026589 and 2199025114; we are not recommending recovery as the only responsive bid submitted for each FRN was selected by the Beneficiary and was cost-effective per our review of the information provided by the Beneficiary.

Support Type	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
Internal Connections FRN 2199025749	\$463,494	\$463,494	\$463,494
BMIC FRN 2199026589	\$0	\$0	\$0
Data Transmission and/or Internet Access FRN 2199025114	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$463,494</u>	<u>\$463,494</u>	<u>\$463,494</u>

Recommendations

We recommend that:

1. USAC management seek recovery of, and record a downward commitment adjustment for, the amounts identified in the Effect section above.
2. The Beneficiary implement procedures to ensure that the bidding process promotes fair and open competition among service providers by including the term “or equivalent” in both the FCC Form 470 and the RFQs when the Beneficiary is requesting a specific brand or vendor.
3. The Beneficiary implement procedures and prepare evaluation templates with standardized evaluation criteria. The template should make price be the primary (i.e., most heavily weighed) bid evaluation factor, and Beneficiary must include any factors that will be used to determine whether a bid may be disqualified.

Beneficiary Response

The Beneficiary acknowledged that the reference of “or equivalent” is a requirement for inclusion in both the Form 470 and RFQ documents and it was mistakenly omitted from the RFQ. Further, regarding the exceptions specific to the evaluation criteria and its communication, the Beneficiary noted that it provided the district’s board policies related to the bid process and the policies were utilized for the RFQ and bid evaluation purposes. Lastly, regarding the exceptions for not establishing price as the primary factor for bid selection, the Beneficiary noted that the process for vendor selection includes first a review of the bids to determine that it has met the requested services and the services are grouped and sorted by price with the lowest price being the primary selection factor.

Sikich Response

Our position regarding this finding has not changed. Although the Beneficiary used the district’s board policies to conduct its competitive bidding process, the policies do not contain criteria establishing how to evaluate bids prior to selecting a service provider. Further, regarding using price as the primary factor when evaluating bids, the Beneficiary did not provide any documentation to support its statement that the lowest price was used as the primary selection factor or that price was the most heavily weight criteria used to score the bids. Finally, because the Beneficiary was unable to provide documentation showing how it evaluated the bids it received, we are unable to conclude that its competitive bidding process was compliant with E-Rate program rules. As such, our position regarding this finding has not changed.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.503(c) (2020)	(2)...(ii) A person authorized to both request bids and order services on behalf of the entities listed on an FCC Form 470 shall, in addition to making the certifications listed in paragraph (c)(2)(i) of this section, certify under oath that: ... (B) All bids submitted for eligible products and services will be carefully considered, with price being

Finding	Criteria	Description
		<i>the primary factor, and the bid selected will be for the most cost-effective service offering consistent with § 54.511.</i>
1	47 C.F.R. § 54.511(a) (2020)	<i>Selecting a provider of eligible services. Except as exempted in 54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.</i>
1	47 C.F.R. § 54.516(a) (2020)	<i>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.</i>
1	<i>Request for Review of a Decision of the Universal Service Administrator by Queen of Peace High School, CC Docket No. 02-6, Order, DA 11-1911, 26 FCC Rcd 16466, 16469, para. 8 (WCB 2011) (Queen of Peace Order)</i>	<i>We conclude . . . that allowing applicants to reference specific vendors in their Form 470 of RFP poses a risk to the competitive bidding process. We therefore clarify that, for Form 470s or RFPs posted for Funding Year 2013 or thereafter, applicants must not include the manufacturer's name or brand on their FCC Form 470 or in their RFPs unless they also use the words "or equivalent" to describe the requested product or service. Such a description ("or equivalent") will prevent the Form 470 or RFPs from being construed as requiring only a specific product or service provider, which could undermine the competitive bidding process by eliminating the opportunity for the applicant to purchase an equivalent or better product that may be less expensive or to choose a less expensive service provider.</i>
1	<i>Requests for Review of Decisions of the Universal Service Administrator by Central Islip Free</i>	<i>We conclude that USAC correctly denied Central Islip's request for support. The record shows that Central Islip received three bids in response to its FCC Form 470 posting. Although Central Islip provides a copy of one bid and a letter indicating that another bid had been rejected, there is no documentation, i.e., a bid</i>

Finding	Criteria	Description
	<i>Union School District et al., CC Docket No. 02-6, Order, DA 11-1087, 26 FCC Rcd 8630, 8635-8636, para. 12 (WCB 2011) (Central Islip Order)</i>	<i>evaluation sheet or bid comparison, showing how the bids were evaluated, scored, or ranked. Thus, we are unable to determine whether Central Islip selected the most cost-effective service offering. The absence of this information leads us to conclude that Central Islip failed to demonstrate that its competitive bidding process complied with program rules because it could not show that it conducted a competitive bidding process. The documentation submitted on appeal and Central Islip's assertion that it reviewed the responsive bids is not a sufficient basis upon which to grant the requested relief. Consequently, we deny Central Islip's request for review.</i>
1	<i>Description of Services Requested and Certification Form, FCC Form 470, Certifications and Signature (2020)</i>	<i>I certify that this FCC Form 470 and any applicable RFP will be available for review by potential bidders for at least 28 days before considering all bids received and selecting a service provider. I certify that all bids submitted will be carefully considered and the bid selected will be for the most cost-effective service or equipment offering, with price being the primary factor, and will be the most cost-effective means of meeting educational needs and technology goals.</i> <i>I certify that I will retain required documents for a period of at least 10 years (or whatever retention period is required by the rules in effect at the time of this certification) after the later of the last day of the applicable funding year or the service delivery deadline for the associated funding request. I certify that I will retain all documents necessary to demonstrate compliance with the statute and Commission rules regarding the form for, receipt of, and delivery of services receiving schools and libraries discounts. I acknowledge that I may be audited pursuant to participation in the schools and libraries program.</i>

Sikich CPA LLC

****THIS CONCLUDES THE REPORT.****

INFO Item: Audit Released July 2025
Attachment C
10/27/2025

Attachment C

SL2023LR024

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

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

USAC AUDIT No. SL2023LR024



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	3
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	4
DETAILED AUDIT FINDINGS	5
FINDING No. 1, 47 C.F.R. § 54.516(a)(1) (2020) – LACK OF DOCUMENTATION - BENEFICIARY DID NOT SUBSTANTIATE THE BIDDING PROCESS.....	5
FINDING No. 2, FCC FORM 473, SPAC FORM AT BLOCK 2 (2021); FCC FORM 474, SPI FORM AT BLOCK 3 (2021) – SERVICE PROVIDER INVOICED THE E-RATE PROGRAM FOR SERVICES TO INELIGIBLE LOCATIONS	7
FINDING No. 3, 47 C.F.R. § 54.503(a) (2020) – BENEFICIARY FAILED TO COMPLY WITH COMPETITIVE BIDDING REQUIREMENTS	8
CRITERIA	9



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

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

Executive Summary

June 24, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Clarke County School District (Beneficiary), Billed Entity Number (BEN) 126457, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, 2) data used to calculate the discount percentage and the type and amount of equipment and services received, and 3) a virtual 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.

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

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

Audit Results	Monetary Effect ²	Overlapping Recovery ³	Recommended Recovery ⁴	Downward Commitment Adjustment
Finding No. 1, 47 C.F.R. § 54.516(a)(1) (2020) – Lack of Documentation – Beneficiary Did Not Substantiate the Bidding Process. The Beneficiary awarded a contract to one Service Provider at prices that were not supported by its bid documentation.	\$7,884	\$0	\$7,884	\$7,884
Finding No. 2, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021); Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Services to Ineligible Locations. One of the Beneficiary’s Service Providers invoiced the E-Rate program for	\$7,110	\$2,862	\$4,248	\$0

² The monetary effect column represents the actual dollar effect of the finding without taking into account any recovery that overlaps between findings. The total in this column may therefore be more than the amount that was committed and disbursed to the Beneficiary.

³ The overlapping recovery column represents disbursements that have already been recommended for recovery in a previous finding and therefore cannot be recovered as part of the current finding.

⁴ Amounts in the recovery column may be less than the amounts reported for individual findings because we have eliminated overlapping recovery amounts to avoid duplicative recoveries.

Audit Results	Monetary Effect ²	Overlapping Recovery ³	Recommended Recovery ⁴	Downward Commitment Adjustment
services provided to two ineligible locations.				
Finding No. 3, 47 C.F.R. § 54.503(a) (2020) – Beneficiary Failed to Comply with Competitive Bidding Requirements. The Beneficiary did not comply with the E-Rate program requirement that beneficiaries seek competitive bids for all funded services.	<u>\$6,000</u>	<u>\$0</u>	<u>\$6,000</u>	<u>\$6,000</u>
Total Net Monetary Effect	<u>\$20,994</u>	<u>\$2,862</u>	<u>\$18,132</u>	<u>\$13,884</u>

USAC Management Response

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

- <https://www.usac.org/e-rate/learn/webinars/> (Filing the FCC Form 470 and the Competitive Bidding Process Webinar, August 25, 2022). (Please see timestamp 24:25-26:05).
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/non-instructional-facilities-nifs/>
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Program-Overview-2023.pdf> (Please see slides 19-24).
- https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2024/Service_Provider_Selections_and_FCC_Form_471_Question_and_Answer_Session-2024-1.pdf (Please see slides 17-22).

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

FRN	Commitment Amount	Finding Amount	Recovery Amount
FRN 2199035957	\$22,752	\$12,132	\$22,752
FRN 2199035950	\$6,000	\$6,000	\$6,000
Total			\$28,752

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2021. The Beneficiary is a public school district in Berryville, Virginia, that serves more than 1,700 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2021 as of February 27, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$68,400	\$68,400
Internet Access	<u>\$40,752</u>	<u>\$40,752</u>
Total	<u>\$109,152</u>	<u>\$109,152</u>

The “amount committed” total represents two FCC Form 471, *Description of Services Ordered and Certification Form*, applications submitted by the Beneficiary for FY 2021 that resulted in four Funding Request Numbers (FRNs). We selected all four of the FRNs for testing,⁵ which collectively represent 100 percent of the funds committed and the funds disbursed during the audit period. For each FRN, we performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We conducted inquiries, 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 Bidding Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible equipment

⁵ Specifically, we tested FRNs 2199035957, 2199035983, 2199035950, and 2199036134.

and services as the primary factor when selecting its Service Providers. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers. We examined the Service Provider contracts to determine whether they were properly executed. In addition, we evaluated the cost-effectiveness of the equipment and services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Forms 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 of costs 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 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 Forms and SPI Forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR Forms and SPI Forms and the corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and were eligible in accordance with the E-Rate Eligible Services List.

Detailed Audit Findings

Finding No. 1, 47 C.F.R. § 54.516(a)(1) (2020) – Lack of Documentation - Beneficiary Did Not Substantiate the Bidding Process

Condition

The Beneficiary requested E-Rate funding under FRN 2199035957 for dark fiber services at prices higher than those the Service Provider, Shenandoah Cable Television, LLC (Shentel),

proposed within its bid.⁶ Specifically, Shentel submitted the only bid for these services. Shentel's bid proposed a monthly recurring charge (MRC) of \$295 per location for seven locations. However, the Beneficiary awarded Shentel a contract to provide the dark fiber services for an MRC of \$395 for five of the locations and an MRC of \$592.50 for the other two locations. The Beneficiary stated that it awarded the contract at the higher MRCs because the \$295 bid price was a typographical error.

The Beneficiary filed its FCC Form 471 and Shentel invoiced the E-Rate program at the higher contract prices, which were not supported by the bidding documentation, as follows:

Location	MRC Invoiced	MRC Bid	Monthly Unsupported Difference	12-Month Total
Clarke County School Board	\$395.00	\$295.00	\$100.00	\$1,200.00
Clarke County High School	\$395.00	\$295.00	\$100.00	\$1,200.00
Boyce Elementary School	\$395.00	\$295.00	\$100.00	\$1,200.00
Clarke County Administrative Services	\$395.00	\$295.00	\$100.00	\$1,200.00
D. G. Cooley – Upper Campus	\$395.00	\$295.00	\$100.00	\$1,200.00
D. G. Cooley – Lower Campus	\$592.50	\$295.00	\$297.50	\$3,570.00
Clarke County Government Center	\$592.50	\$295.00	\$297.50	\$3,570.00
Total				\$13,140.00

Cause

The Beneficiary did not have sufficient internal processes in place to ensure that it followed E-Rate program requirements governing document retention.

Effect

The monetary effect of this finding is \$7,884 (\$13,140 multiplied by the Beneficiary's 60 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
Internet Access FRN 2199035957	\$7,884	\$7,884	\$7,884

Recommendations

We recommend that:

1. USAC Management seek recovery of, and record a downward commitment adjustment for, the amount identified in the Effect section above.

⁶ See also 47 C.F.R. § 54.503(a) (2020).

2. The Beneficiary implement stronger controls and procedures to ensure that it follows E-Rate program requirements for documentation within competitive bidding and contracting.

Beneficiary Response

Our responses are in agreement with your audit findings.

Finding No. 2, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Services to Ineligible Locations

Condition

The Beneficiary's Service Provider, Shentel, invoiced the E-Rate program for services provided to two ineligible locations.⁷ Specifically, Shentel invoiced the E-Rate program \$11,850 under FRN 2199035957 for dark fiber services provided to two locations, Clarke County Administrative Services and Clarke County Government Center, that are ineligible because they are not educational facilities. Further, these facilities were not included as recipients on the Beneficiary's FCC Form 471, *Description of Services Ordered and Certification Form*.

Cause

The Service Provider did not have adequate controls and procedures in place to ensure that it did not invoice the E-Rate program for services provided to ineligible facilities.

Effect

The monetary effect for this finding is \$7,110 (\$11,850 multiplied by the Beneficiary's 60 percent discount rate). However, because \$2,862 of this amount (\$4,770 multiplied by the Beneficiary's 60 percent discount rate) duplicates costs recommended for recovery in Finding No. 1, the total recommended recovery amount is \$4,248 (\$7,110 minus \$2,862).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2199035957	\$7,110	\$4,248

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement controls and procedures to ensure that it only invoices the E-Rate program for services provided to eligible locations.

⁷ See also 47 C.F.R § 54.501(a)(1) (2020), and § 54.504(f)(5) (2020).

Service Provider Response

1. *The E-Rate program seek recovery of the amount identified in the Effect section above. If this is indeed the interpretation and intention of USAC, please email the request for Shentel review and action.*
2. *The Service Provider implement controls and procedures to ensure that it only invoices the E-Rate program for services provided to eligible locations. Shentel has these in place but always open to improved processes. We have reviewed and are revising our controls and procedures.*

Auditor Response

We recommend that USAC contact the Service Provider if it determines that recovery is warranted. The Service Provider's controls and procedures did not prevent it from invoicing the E-Rate program for services provided to ineligible locations. We made no changes to our finding and/or recommendations.

Finding No. 3, 47 C.F.R. § 54.503(a) (2020) – Beneficiary Failed to Comply with Competitive Bidding Requirements

Condition

The Beneficiary did not comply with the E-Rate program requirement that beneficiaries seek competitive bids for all funded services. Specifically, FRN 2199035950 funded 1 Gbps internet access services provided under a May 2017 service order agreement with Shentel. The Beneficiary informed us that the establishing FCC Form 470 for this agreement was No. 170075528,⁸ which requested 500 Mbps Internet access services. The Beneficiary provided documentation showing that it obtained and evaluated bids from several vendors for 500 Mbps Internet access services. However, the Beneficiary did not award services based on any of these bids. Instead it executed a May 2017 service order with Shentel to provide 1 Gbps of internet access services for 48 months (from October 30, 2017 through October 30, 2021) at an MRC of \$2,500 per month. The Beneficiary provided e-mail correspondence indicating that the MRC was based on a verbal quote provided by Shentel.⁹ As the Beneficiary did not post an FCC Form 470 requesting the 1 Gbps services, and solicited prices for the service from only one vendor, we determined that the Beneficiary did not comply with competitive bidding requirements.

The Beneficiary obtained FY 2021 funding for four months¹⁰ of the 1 Gbps services under FRN 2199035950 and the Service Provider invoiced the E-Rate program \$10,000 for these services.

Cause

The Beneficiary did not demonstrate sufficient knowledge or internal processes to ensure that it followed FCC Rules and E-Rate program requirements governing the competitive procurement

⁸ The FCC Form 471 for this FRN referenced No. 16003270 as the establishing FCC Form 470. However, Beneficiary representatives stated that this number was incorrectly listed when the Form 471 was keyed in.

⁹ The service order references a 2016 master services agreement between the Beneficiary and Shentel. That agreement, however, did not specify services to be provided and did not include pricing.

¹⁰ The remaining term of the service order.

process. Beneficiary representatives stated that, after posting the 2017 FCC Form 470, they realized that the Beneficiary needed increased services to support its one-to-one student device initiative but that they did not revise the FCC Form 470 to procure bids for the higher 1 Gbps speed.

Effect

The monetary effect for this finding is \$6,000 (\$10,000 multiplied by the Beneficiary's 60 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
Internet Access FRN 2199035950	\$6,000	\$6,000	\$6,000

Recommendations

We recommend that:

1. USAC Management seek recovery of, and record a downward commitment adjustment for, the amount identified in the Effect section above.
2. The Beneficiary implement stronger controls and procedures to ensure that it follows FCC Rules for competitive bidding.

Beneficiary Response

Our responses are in agreement with your audit findings.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.516(a)(1) (2020)	<i>Recordkeeping requirements – Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.</i>
1, 3	47 C.F.R. § 54.503(a) (2020)	<i>All entities participating in the schools and libraries universal service support program must conduct a fair and</i>

Finding	Criteria	Description
		<i>open competitive bidding process, consistent with all requirements set forth in this subpart.</i>
2	Universal Service for Schools and Libraries, Service Provider Annual Certification (SPAC) Form, OMB 3060-0856 (2021) (FCC Form 473)	<i>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> <i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i> <i>11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the Service Provider.</i>
2	Universal Service for Schools and Libraries, Service Provider Invoice (SPI) Form, OMB 3060-0856 (2021) (FCC Form 474)	<i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i> <i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i>
2	47 C.F.R. § 54.501(a)(1) (2020)	<i>Only schools meeting the statutory definition of "elementary school" or "secondary school" as defined in § 54.500 of this subpart, and not excluded under paragraphs (a)(2) or (3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.</i>

Finding	Criteria	Description
2	47 C.F.R. § 54.504(f)(5) (2020)	<i>The FCC Form 473 shall be signed by an authorized person and shall include that person's certification under oath that: ... The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i>

Sikich CPA LLC

****THIS CONCLUDES THE REPORT.****

INFO Item: Audit Released July 2025
Attachment D
10/27/2025

Attachment D

SL2023LR028

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

CLEVELAND MUNICIPAL SCHOOL DISTRICT

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES FOR FY 2021**

USAC AUDIT No. SL2023LR028



Sikich LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES.....	3
DETAILED AUDIT FINDING	5
FINDING No. 1, FCC FORM 473, SPAC FORM AT BLOCK 2 (2021); FCC FORM 474, SPI FORM AT BLOCK 3 (2021) – SERVICE PROVIDER INVOICED E-RATE PROGRAM FOR LOCATION NOT REQUESTED	
CRITERIA	8

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

Executive Summary

January 12, 2024

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

Dear Ms. Delmar:

Sikich LLC CPA¹ (referred to as “Sikich” or “we”) audited the compliance of Cleveland Municipal School District (Beneficiary), Billed Entity Number (BEN) 129482, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select the Beneficiary’s Service Providers; 2) data used to calculate the discount percentage and the type and amount of equipment and services received; and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with the 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 audit disclosed one detailed audit finding, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a

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

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 audit found that one of the Beneficiary’s Service Providers did not comply with FCC Rules, as set forth in the detailed audit finding discussed below.

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Locations Not Requested. A Service Provider invoiced the E-Rate program for equipment installed at a school that was not included as a recipient of service on the Beneficiary’s FCC Form 471.	<u>\$10,401</u>	<u>\$0</u>
Total Net Monetary Effect	<u>\$10,401</u>	<u>\$0</u>

USAC Management Response

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

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-2023-Invoicing.pdf> (please see slides 12, 16, 30, and 70).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: Invoicing, November 09, 2023). Please see timestamps 8:55-11:15, 13:30-14:15, 23:40-25:10, and 56:50-58:35.

- https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/Procedure_Filing_Guideline_Infograph_Rev.02.23.23-002.pdf (please see slides 1-3).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Equipment Transfers Webinar, July 27, 2021). Please see timestamps 11:25-13:25, 18:30-22:10, 23:25-27:20, and 41:35-41:55.

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

FRN	Recovery Amount
2199060357	\$0

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 Cleveland, Ohio that serves more than 39,940 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2021 as of March 23, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$589,110	\$589,110
Managed Internal Broadband Services	\$559,914	\$515,697
Internet Access	\$871,558	\$849,575
Total	<u>\$2,020,582</u>	<u>\$1,954,382</u>

The “amount committed” total represents three FCC Forms 471, *Description of Services Ordered and Certification Form* applications submitted by the Beneficiary for FY 2021, that resulted in six Funding Request Numbers (FRNs). We selected a sample of three FRNs,² which represent \$1,662,187 of the funds committed and \$1,608,877 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We conducted inquiries, performed direct observation, and inspected documentation to determine

²We tested FRNs 2199042828, 2199060357 and 2199042836.

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 Bidding Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received; and 2) considered the price of the eligible services and equipment as the primary factor when selecting its Service Providers. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers. Additionally, we examined the Service Provider contracts to determine whether the Beneficiary and the Service Providers properly executed the contracts.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Form 474, *Service Provider Invoice (SPI) Forms* and corresponding Service Provider bills were consistent with the terms and specifications of the selected Service Provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share to the Service Providers.

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 was using the funding in an effective manner.

E. Reimbursement Process

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

Detailed Audit Finding

Finding No. 1, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced E-Rate Program for Location Not Requested

Condition

One of the Beneficiary's Service Providers, CDW Government LLC, submitted a SPI that included equipment for a location that was not identified on the Beneficiary's funding request for FRN 2199060357. Specifically, the Service Provider invoiced the E-Rate program for three switches and related equipment installed at Bard High School Early College (entity number 48099), which was not identified as a recipient of service on the Beneficiary's FCC Form 471. The FCC Form 471 instructions require that applicants provide the entity numbers of the individual entities receiving services or equipment. As a result, the Service Provider over-invoiced the E-Rate program for an amount of \$12,237.

Product Type	Equipment Model	Unit Cost	Quantity	Total Cost
Cabling	MA-CBL-40G-1M	\$93	3	\$279
Transceiver	MA-SFP-1GB-TX	\$183	3	\$549
Transceiver	MA-SFP-1GB-SX	\$211	3	\$633
License	LIC-MS225-48FP-3YR	\$317	3	\$951
Switch	MS225-48FP-HW	\$3,275	3	\$9,825
			Total	<u>\$12,237</u>

Cause

The Service Provider did not have procedures in place to ensure that the entities billed on its invoices were consistent with the entities included in the Beneficiary's Form 471.

Additionally, the Beneficiary did not have sufficient procedures in place to ensure that it included all individual entities receiving services within its FCC Form 471, as representatives explained that the omission of Bard High School Early College from the Form 471 was an oversight.³

Effect

The monetary effect for this finding is \$10,401 (\$12,237 multiplied by the Beneficiary's 85 percent discount rate). However, we do not recommend recovery of this amount because the Beneficiary installed the equipment in a school that was part of the same eligible school district.

³ The Beneficiary provided a school district E-rate equipment transfer memo approving the equipment to be moved from another school to Bard High School Early College which was approved on August 30, 2023 – after we brought this issue to the Beneficiary's attention. This is not compliant with FCC Rules (47 C.F.R. § 54.513(d) (2020)) requiring that both transferors and recipients maintain detailed records of transfers of E-Rate funded equipment documenting the reason for the transfer for a period of five years. See the Beneficiary Response section below for further details.

Support Type	Monetary Effect	Recommended Recovery
FRN 2199060357 Internal Connections	\$10,401	\$0
Total	<u>\$10,401</u>	<u>\$0</u>

Recommendations

We recommend that:

1. The Service Provider implement controls to ensure that it only invoices the E-Rate program for equipment installed at eligible locations.
2. The Beneficiary implement controls to ensure that: 1) all recipient locations are included in its Requests for Proposal, contracts, and FCC Form 471s; and 2) equipment transfers are properly documented at the time that the transfers occur.

Service Provider Response

CDW Government LLC, also known as CDWG, successfully processed the applicant's equipment request in accordance with their purchase order (#10054566) dated 7/12/2021, relating to FRN 2199060357. The equipment was dispatched by CDWG, and the applicant was invoiced as per the purchase order and FRN on 9/2/2021, with the invoice number being K228934. The shipped equipment, consistent with the details in the purchase order and invoice, was sent to the specified address: Cleveland Metropolitan School District, 21500 Aerospace Parkway, Cleveland, Ohio 44142.

Furthermore, CDWG followed proper controls in ensuring the equipment was shipped in accordance with the Applicant's FRN and subsequent purchase order.

Beneficiary Response

CMSD does acknowledge that the FRN at issue did not include Bard High School on the recipient of service list when filed. As procured, the RFP anticipated switch purchases for approximately 35 district locations. As stated in the RFP, the quantities, and locations as listed in the RFP were subject to change. CMSD was starting a large project to purchase, and upgrade a number of switches throughout the district. CMSD includes over 100-school and administrative sites, and the FRN under audit was to purchase and receive, discounts on only a portion of the total number of switches needed.

CMSD disagrees that they are not in compliance with equipment transfer rules. The CFR regulation at issue is 47 C.F.R. § 54.513(d). In its entirety, the rule states as follows (emphasis added):

Eligible services and equipment components of eligible services purchased at a discount under this subpart shall not be transferred, with or without consideration of money or any other thing of value, for a period of three years after purchase, except that eligible services and equipment components of eligible services may be transferred to another eligible school or library in the event that the particular location

where the service originally was received is permanently or temporarily closed, or is part of the same eligible school district or library system as the location receiving the eligible services or equipment components of eligible services. If an eligible service or equipment component of a service is transferred pursuant to this paragraph, both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years.

Between the time this FRN was procured, and the equipment purchased, three of the switches needed to be installed at a different location than what was listed on the FRN. Equipment originally intended for East Tech HS and its annex location, Jane Addams, was moved to Bard HS, and installed at that location. East Tech HS, the annex location Jane Addams, and Bard HS are all locations in the eligible school district. In accordance with this rule, the District did prepare a memo to document the transfer of the equipment. The equipment is installed at an eligible E-rate location and as such, CMSD is using the E-rate discounted equipment in accordance with program rules. No funding needs to be returned.

The transfer memo was prepared and finalized August 30, 2023. The FRN under audit and the switches to be purchased using the FRN, are part of a large switch upgrade project being done at CMSD. The number of switches being purchased and installed include more than just the switches on the FRN. CMSD was installing and documenting the installation of switches up to the installation deadline for the FRN of September 30, 2023. The FCC has not provided a deadline for the preparation of transfer documentation. But CMSD feels the memo at issue was timely prepared as it was done before the actual installation deadline and the completion of the switch installation project.

Auditor Response

Although the Beneficiary noted that it appropriately transferred this equipment, the documentation provided does not support that the equipment was transferred. The Beneficiary initially installed the equipment at Bard High School Early College (a location that was not listed as a recipient on the Beneficiary's FCC Form 471), rather than installing it at a location listed on the FCC Form 471 and then later transferring it to Bard.

Further, if the equipment transfer regulation is applicable, the Beneficiary has not demonstrated that it maintained the detailed records documenting the transfer and the reason for the transfer, as required by the FCC's rules. The Service Provider's bill indicates that the equipment was shipped to the Beneficiary on September 2, 2021. The Bard High School Early College equipment was included on a Fixed Asset Listing that the Beneficiary provided to us on June 30, 2023. Thus, it would seem that the equipment was installed at this school before the transfer memo was prepared and finalized on August 30, 2023. The Beneficiary has provided no evidence that it prepared or maintained documentation of the transfer at the time the transfer actually occurred.

Accordingly, although we modified our recommendation to also recommend that the Beneficiary properly document equipment transfers, we have not removed this finding. However, because the

Beneficiary was able to demonstrate that the equipment was installed in another school that was part of the same eligible school district, we did reduce the Recommended Recovery to \$0.

Criteria

Finding	Criteria	Description
1	FCC Form 473, Service Provider Annual Certification (SPAC) Form, OMB 3060-0856, at Block 2 (2021)	9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider contain requests for universal service support for 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. 10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision. 11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.
1	FCC Form 474 Service Provider Invoice (SPI) Form at Block 3 (2021)	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 commitment.
1	47 C.F.R. §54.513(d) (2020)	(d) Eligible services and equipment components of eligible services purchased at a discount under this subpart shall not be transferred, with or without consideration of money or any other things of value, for a period of three years after purchase, except that eligible services and equipment

Finding	Criteria	Description
		<i>components of eligible services may be transferred to another eligible school or library in the event that the particular location where the service originally was received is permanently or temporarily closed, or is part of the same eligible school district or library system as the location receiving the eligible services or equipment components of eligible services. If an eligible service or equipment component of a service is transferred pursuant to this paragraph, both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years.</i>

SIRICH CPA LLC

****THIS CONCLUDES THE REPORT****

INFO Item: Audit Released July 2025

Attachment E

10/27/2025

Attachment E

SL2024LR015

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

KATY INDEPENDENT SCHOOL DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES

USAC AUDIT No. SL2024LR015



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	2
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	3
DETAILED AUDIT FINDING.....	4
FINDING No. 1, 47 C.F.R. § 54.502(d)(6) (2021) – THE BENEFICIARY INVOICED THE E-RATE PROGRAM FOR EQUIPMENT INSTALLED IN AN INELIGIBLE NIF.....	4
CRITERIA	6



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

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

Executive Summary

October 4, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Katy Independent School District (Beneficiary), Billed Entity Number (BEN) 141311, using the regulations 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 the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

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

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

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

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, 47 C.F.R. § 54.502(d)(6) (2021) – The Beneficiary Invoiced the E-Rate Program for Equipment Installed in an Ineligible Non-Instructional Facility (NIF). The Beneficiary installed equipment purchased with E-Rate funding in an ineligible NIF.	\$10,085	\$10,085
Total Net Monetary Effect	<u>\$10,085</u>	<u>\$10,085</u>

USAC Management Response

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

- <https://www.usac.org/e-rate/applicant-process/before-you-begin/non-traditional-education-eligibility/>
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Program-Overview-2023.pdf>
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-2023-Invoicing.pdf> (please see slides 12, 16, 30, and 70).

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

FRN	Recovery Amount
2299031047	\$10,085

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2022. The Beneficiary is a school district located in Katy, Texas, that serves approximately 85,700 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2022 as of February 16, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$4,002,927	\$3,982,251
Data Transmission and/or Internet Access	\$304,732	\$291,582
Total	<u>\$4,307,659</u>	<u>\$4,273,833</u>

The “amount committed” total represents ten FCC Forms 471 *Description of Services Ordered and Certification Form* applications submitted by the Beneficiary for FY 2022 that resulted in 17 Funding Request Numbers (FRNs). We selected four of the FRNs for testing,² which represent \$3,577,812 of the funds committed and \$3,574,650 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 for E-Rate compliance. 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 Bidding Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible equipment and services as the primary factor in selecting the selected Service Providers. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*,

² Our sample included FRNs 2299026033, 2299031047, 229039558, and 2299052967.

was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers. Additionally, we examined the Service Provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

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.

F. Reimbursement Process

We obtained and examined 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 Eligible Services List.

Detailed Audit Finding

Finding No. 1, 47 C.F.R. § 54.502(d)(6) (2021) – The Beneficiary Invoiced the E-Rate Program for Equipment Installed in an Ineligible NIF

Condition

The Beneficiary invoiced the E-Rate program for equipment purchased with E-Rate funding that was installed in an ineligible NIF. Specifically, the Beneficiary invoiced the E-Rate program \$20,170 pre-discounted costs for 25 access points that it installed in its Law Enforcement Center (LEC), a NIF that provides services to police officers and security guards for the district's schools. The LEC is not located within an eligible school and the Beneficiary did not include the LEC on its FCC Form 471. Further, the LEC is not eligible for Category 2 funding because it does not meet the E-Rate program's eligibility requirements or meet the definition of educational

purposes.³ As such, the Beneficiary should not have used E-Rate funding to purchase equipment for the LEC.

Cause

The Beneficiary does not have sufficient policies and procedures in place to prevent it from invoicing the E-Rate program for equipment installed in ineligible locations. Further, the Beneficiary noted that it considered the law enforcement services that the LEC provides to be similar to the school-related activities performed by school administrators, counselors, nurses, and technology workers, which are eligible for Category 2 support.

Effect

The monetary effect of this finding is \$10,085 (\$20,170 pre-discounted costs multiplied by the Beneficiary's 50 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2299031047	\$10,085	\$10,085

Recommendations

We recommend that:

1. The E-Rate program seek recovery of the amount identified in the Effect section above.
2. The Beneficiary implement policies and procedures to prevent it from invoicing the E-Rate program for equipment installed in ineligible locations.

Beneficiary Response

The district's Safe and Secure Schools initiative to ensure students can learn and teachers can educate is integral, immediate, and proximate to the education process. These services are as mission critical as transportation, food services, social services, teaching and management of the education of our students.

The Safety Security Analysis Center (SSAC) is housed in the Law Enforcement Center. Monitoring of fire alarm and intrusion alarms takes place within the SSAC. Staff actively monitor security camera, access control events from the SSAC and most importantly communicate real time with the support staff at each campus.

- *EL campuses have 1 level 3 security guard*
- *JH campuses have 1 Police officer and 1 level 2 security guard*
- *HS campuses have 2 Police officers and 4 level 2 security guards*

³ See 47 C.F.R. § 54.500 (2021), 47 C.F.R. § 54.501 (a)(1) (2021), 47 C.F.R. § 54.504 (a)(1)(i), (v) (2021); and *Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan* (2010). *For Our Future*, CC Docket No. 02-6, Sixth Report and Order, 25 FCC Rcd 18762, FCC 10-175, para. 20, 24 (2010).

The LEC is home base for this staff. All work from mobile devices to support Katy ISD Safe and Secure Schools Initiative. The officers and security staff at Katy ISD use laptops connected to access points in the Mark Hopkins Law Enforcement Center to monitor security camera footage, access the internet, submit reports, view training videos, and manage incident response efforts across campuses.

The Cisco 9120AX access points at the Mark Hopkins Law Enforcement Center (Ent # 17036063) were factored into the total count of 3,293 APs, which were included in the original RFP and associated contract award. The site has been established in EPiC following the submission of Form 471.

Auditor Response

We agree that school security is important for the safety of both students and staff. However, it is not evident that the described activities fit the definition of educational purposes, i.e., are “integral, immediate, and proximate” to students’ education. Furthermore, because the LEC is not located within a school and was not included as an entity on the Beneficiary’s FY 2022 Form 471, it is not an eligible location for FY 2022 Category 2 E-Rate funding.

Criteria

Finding	Criteria	Description
1	47 C.F.R. 54.502 (d)(6) (2021)	<i>Non-instructional buildings. Support is not available for category two services provided to or within non-instructional school buildings or separate library administrative buildings unless those category two services are essential for the effective transport of information to or within one or more instructional buildings of a school or non-administrative library buildings, or the Commission has found that the use of those services meets the definition of educational purpose, as defined in § 54.500.</i>
1	47 C.F.R. § 54.500 (2021)	<i>Terms and definitions... Educational purposes. For purposes of this subpart, activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate and proximate to the provision of library services to library patrons, qualify as “educational purposes.” Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons.</i>
1	47 C.F.R. § 54.501(a)(1) (2021)	<i>Only schools meeting the statutory definition of “elementary school” or “secondary school” as defined in § 54.500 of this subpart, and not excluded under paragraphs (a)(2) or (3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.</i>

Finding	Criteria	Description
1	47 C.F.R. § 54.504 (a) (2021)	<i>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. (1) The FCC Form 471 shall be signed by the person authorized to order eligible services for the eligible school, library, or consortium and shall include that person's certification under oath that: (i) The schools meet the statutory definition of “elementary school” or “secondary school” as defined in § 54.500 of this subpart, do not operate as for-profit businesses, and do not have endowments exceeding \$50million..... (v) The services the school, library, or consortium purchases at discounts will be used primarily for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value, except as allowed by § 54.513.</i>
1	<i>Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan For Our Future, Sixth Report and Order, CC Docket No. 02-6, 25 FCC Rcd 18762, FCC 10-175, para. 20, 24 (2010)</i>	<i>Background. The Act provides that E-rate discounts be given to eligible schools and libraries for educational purposes. To implement this provision, in the Universal Service First Report and Order, the Commission required schools and libraries to certify, among other things, that services would be used solely for “educational purposes.” The Commission noted that all of the certification requirements were intended to encourage accountability on the part of schools and libraries. Subsequently, as noted above, the Commission clarified the meaning of “educational purposes” as “activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate, and proximate to the provision of library services to library patrons.” As a result, use of services and facilities funded by E-rate for non-educational purposes would not be an eligible use, and schools are required to reduce their funding request by the proportion of the total use of the services and facilities that is ineligible.</i> <i>24. To reduce the likelihood of waste, fraud, and abuse, and to guard against expanding the cost of the E-rate program, we set forth certain conditions for schools that choose to allow the community to use their E-rate funded services. First, schools participating in the E-rate program may not</i>

Finding	Criteria	Description
		<i>request funding for more services than are necessary for educational purposes to serve their current student population. This condition is necessary to ensure that E-rate funds that schools receive remain targeted to the educational needs of the institution and its students. This is essential to preserve limited funds and to carry out Congress’s intent in establishing the E-rate program To the extent that a school desires to augment services beyond that which is necessary for educational purposes, it must use other, non-E-rate funded resources. Any community use of the services purchased under the E-rate program must be incidental and not increase overall costs to the E-rate program.</i>

Sikich CPA LLC

INFO Item: Audit Released July 2025
Attachment F
10/27/2025

Attachment F

SL2024SP023

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

PEAK METHODS, INC.

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

USAC AUDIT No. SL2024SP023



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY 1

AUDIT RESULTS AND RECOVERY ACTION..... 2

PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES 2



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PEAK METHODS, INC.
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

June 23, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Peak Methods, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143031547, for Funding Year (FY) 2022, using regulations set forth in 47 C.F.R. Part 54 and orders and other program requirements governing the federal Universal Service E-Rate program (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our audit.

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

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

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

investigations. This report is intended solely for the use of USAC, the Service Provider, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results and Recovery Action

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

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2022. The Service Provider is headquartered in Tulsa, Oklahoma, and provides internal connections, basic maintenance of internal connections, and managed internal broadband services to customers in Oklahoma and Kansas.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for FY 2022 as of April 30, 2024, the date that we announced the audit.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$355,722	\$304,192
Managed Internal Broadband Services	\$124,376	\$124,375
Basic Maintenance of Internal Connections	\$32,265	\$10,122
Total	<u>\$512,363</u>	<u>\$438,689</u>

The “amount committed” total represents 19 FCC Form 471, *Description of Services Ordered and Certification Form*, applications submitted by Beneficiaries for FY 2022 that resulted in 33 Funding Request Numbers (FRNs). We selected a sample of 25 FRNs,² which represent \$463,447 of the funds committed and \$435,287 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

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

² Our sample included FRNs 2299019135, 2299019380, 2299019381, 2299014373, 2299014398, 2299014422, 2299034717, 2299049671, 2299049683, 2299049698, 2299049710, 2299017821, 2299010652, 2299049634, 2299049790, 2299053974, 2299010576, 2299054885, 2299054924, 2299034683, 2299023682, 2299049081, 2299024080, 2299008736, and 2299034733.

completion of the selected Beneficiaries' FCC Form 470s, *Description of Services Requested and Certification Forms*.

B. Competitive Bidding Process

We conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected Beneficiaries' competitive bidding 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 Service Provider provided the equipment and services requested in the selected Beneficiaries' FCC Form 471s, *Description of Services Ordered and Certification Forms*. We also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar equipment and services to non-residential customers similarly situated to the selected Beneficiaries.

C. Billing Process

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

D. Site Visits

We performed virtual inspections to confirm the locations and use of equipment and services and to determine whether the equipment and services were delivered, installed and located in eligible facilities.

E. Reimbursement Process

We obtained and examined the FCC Form 474 *Service Provider Invoice (SPI) Forms* submitted for reimbursement for the equipment and services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. We reviewed Service Provider bills associated with the SPI Forms for equipment and services provided to the selected Beneficiaries. We determined whether the Service Provider billed the selected Beneficiaries for only the non-discounted portion of the cost, or if the Service Provider issued credits on the Service Provider bills to the selected Beneficiaries.

Sibich CPA LLC

****THIS CONCLUDES THE REPORT.****

INFO Item: Audit Released July 2025
Attachment G
10/27/2025

Attachment G

SL2024SP029

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

CONVERGEONE, INC.

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

USAC AUDIT No. SL2024SP029



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	2
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	2
DETAILED AUDIT FINDING.....	5
FINDING NO. 1, 47 C.F.R. § 54.511(b) (2021) – SERVICE PROVIDER DID NOT CHARGE A SELECTED BENEFICIARY THE LOWEST CORRESPONDING PRICE	5
CRITERIA	6



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
CONVERGEONE, INC.
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

April 18, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of ConvergeOne, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143011994, for Funding Year (FY) 2022, using regulations set forth in 47 C.F.R. Part 54 and orders and other program requirements governing the federal Universal Service E-Rate program, (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our audit.

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

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

Based on the test work performed, our audit disclosed one detailed audit finding, 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 Service Provider, and the FCC and should not be used by those who have not agreed to the procedures and accepted responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results and Recovery Action

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

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, 47 C.F.R. § 54.511(b) (2021) – Service Provider Did Not Charge a Selected Beneficiary the Lowest Corresponding Price. The Service Provider invoiced one of the selected Beneficiaries for a software license at a price that exceeded the Service Provider’s lowest corresponding price.	\$4,599	\$0
Total Net Monetary Effect	<u>\$4,599</u>	<u>\$0</u>

USAC Management Response

USAC Management concurs with the Audit Result stated above. USAC may review other FCC forms and documents filed by the Beneficiary and Service Provider during the audited Funding Year that were not in the scope of this audit, and there may be additional recoveries and/or commitment adjustments. USAC will request that the Service Provider provide copies of policies and procedures implemented to address the issue identified. USAC also refers the Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/service-providers/step-5-invoicing/>
- <https://www.usac.org/e-rate/service-providers/step-2-responding-to-bids/lowest-corresponding-price/>

USAC records show the Service Provider is currently subscribed to the E-Rate News Brief.

USAC encourages the 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 Service Provider complied with FCC Rules for FY 2022. The Service Provider is headquartered in Bloomington, Minnesota, and provides internal connections, network equipment, basic maintenance of internal connections, and managed internal broadband services to customers located throughout the United States.

The following chart summarizes the E-Rate support amounts committed and disbursed for the Service Provider’s FY 2022 equipment and services as of October 24, 2024, the date that we completed our initial fieldwork testing.²

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$31,591,480	\$22,774,376
Basic Maintenance of Internal Connections	\$551,766	\$246,758
Managed Internal Broadband Services	\$8,744	\$8,744
Internet Access	\$169,204	\$137,117
Total	<u>\$32,321,194</u>	<u>\$23,166,995</u>

The “amount committed” total represents 53 FCC Form 471, *Description of Services Ordered and Certification Form*, applications submitted by Beneficiaries for FY 2022 that resulted in 158 Funding Request Numbers (FRNs). We selected a sample of 25 of the FRNs,³ which represent \$13,634,404 of the funds committed and \$10,435,190 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

We obtained an understanding of the Service Provider’s processes and internal controls governing its participation in the E-Rate program. We conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to determine whether controls exist to ensure the equipment and services were eligible, delivered, and installed in accordance with FCC Rules. We also conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries’ FCC Form 470s, *Description of Services Requested and Certification Forms*.

² On October 24, 2024, we expanded the audit scope to include \$2,224,396 disbursed for FRN 2299048171 after our audit announcement date of March 26, 2024.

³ Our sample included FRNs 2299045122, 2299051350, 2299019547, 2299022640, 2299023518, 2299030079, 2299019592, 2299042816, 2299010998, 2299031624, 2299050120, 2299048171, 2299058570, 2299051553, 2299043897, 2299048196, 2299028229, 2299047001, 2299057168, 2299018514, 2299037495, 2299037455, 2299036472, 2299056510, and 2299034651.

B. Competitive Bidding Process

We conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected Beneficiaries' competitive bidding process. We reviewed the Service Provider's contracts with the selected Beneficiaries to determine whether contracts were properly executed. We evaluated the equipment and services requested and purchased to determine whether the Service Provider provided the equipment and services requested in the selected Beneficiaries' FCC Form 471s, *Description of Services Ordered and Certification Forms*. We also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar equipment and services to non-residential customers similarly situated to the selected Beneficiaries.

C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoice (SPI) Forms for which payment was disbursed by USAC to determine whether the equipment and services identified on the SPI Forms, and corresponding Service Provider bills, were consistent with the terms and specifications of the Service Provider's contracts and eligible in accordance with the E-Rate program Eligible Services List. We also examined documentation to determine whether the Service Provider billed the selected Beneficiaries for the non-discounted portion of eligible equipment and services purchased with universal service discounts and did not provide rebates, including free services or products.

D. Site Visits

We performed virtual inspections to confirm the location and use of equipment and services and to determine whether the equipment and services were delivered, installed and located in eligible facilities.

E. Reimbursement Process

We obtained and examined the FCC Form 474 *Service Provider Invoice (SPI) Forms* submitted for reimbursement for the equipment and services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. We reviewed Service Provider bills associated with the SPI Forms for equipment and services provided to the selected Beneficiaries. We determined whether the Service Provider billed the selected Beneficiaries for only the non-discount portion of the cost, or if the Service Provider issued credits on the Service Provider bills to the selected Beneficiaries.

Detailed Audit Finding

Finding No. 1, 47 C.F.R. § 54.511(b) (2021) – Service Provider Did Not Charge a Selected Beneficiary the Lowest Corresponding Price

Condition

The Service Provider invoiced one of the selected Beneficiaries for a software license at a price that exceeded the Service Provider’s lowest corresponding price. Specifically, due to an internal pricing error, the Service Provider billed Jackson Public School District (FRN 2299047001)—and invoiced the E-Rate program—for seven C9300L Cisco DNA Essentials, 24-port, 3-year term licenses at \$1,112 per license, for a total of \$7,784. Meanwhile, the Service Provider billed another Beneficiary for the same license at a price of \$339 each. As a result, the Service Provider over-invoiced the E-Rate program by \$5,411 ([extract_itex]1,112 -[/extract_itex]339] multiplied by seven).

Cause

The Service Provider did not have sufficient policies, controls, and procedures in place to ensure that it calculated E-Rate beneficiary prices accurately and in compliance with FCC regulations related to the lowest corresponding price.

Effect

The monetary effect of this finding is \$4,599 (\$5,411 multiplied by the Beneficiary’s 85 percent discount rate). However, the Service Provider provided a receipt from USAC for its repayment of this amount. Because we confirmed that the payment was properly applied to this FRN in USAC’s Open Data tool, we do not recommend recovery of this amount.

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2299047001	\$4,599	\$0

Recommendation

We recommend that the Service Provider develop policies, controls, and procedures to ensure that it calculates prices accurately and only charges E-Rate customers its lowest corresponding prices.

Service Provider Response

When compiling the information and supporting documentation requested by the audit team, we discovered a pricing mistake. Rather than wait to address the matter at the conclusion of the audit process, ConvergeOne, Inc. (“CI”) proactively initiated steps to return any additional amounts inadvertently invoiced to both USAC and the customer for their portions of the charges. CI credited the Jackson Public Schools account \$5,410.09 and repaid USAC \$4,598.58, and provided the audit team supporting documentation evidencing such refunds.

CI periodically reviews its various policies, controls, and procedures as part of its on-going process improvement efforts and to ensure compliance with applicable law (including any applicable E-Rate rules and regulations). In a good faith effort to mitigate against a similar

pricing error in the future, CI has been conducting an internal review of such matter and has been investigating potential improvements to such policies, controls, and procedures.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.511(b)(2021)	<i>Lowest corresponding price. Providers of eligible services shall not submit bids for or charge schools, school districts, libraries, library consortia, or consortia including any of these entities a price above the lowest corresponding price for supported services, unless the Commission, with respect to interstate services or the state commission with respect to intrastate services, finds that the lowest corresponding price is not compensatory. Promotional rates offered by a service provider for a period of more than 90 days must be included among the comparable rates upon which the lowest corresponding price is determined.</i>

Sikich CPA LLC

****THIS CONCLUDES THE REPORT.****

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: August 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action*	Commitment Adjustment	Entity Disagreement
Attachment H Greater Bergen Community Action, Inc. (GBCA) (Reissue)	1	No significant findings.	\$29,796	\$0	\$0	\$0	N
Attachment I SUPERNet II	2	47 C.F.R. § 54.504(a) (2020) – Beneficiary Requested Services for a School District for Which the Beneficiary had No Letter of Agency. The Beneficiary requested E-Rate services via the FCC Form 471 and funds were committed for costs associated with a school district that had opted not to join its consortium.	\$2,855,088	\$319,299	\$284,825	\$369,902	Partial
Attachment J Family Services, Inc.	1	No significant findings.	\$42,163	\$4,288	\$4,288	\$4,288	Partial

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action*	Commitment Adjustment	Entity Disagreement
Attachment K Sierra Communications, Inc.	1	No significant findings.	\$63,593	\$1,788	\$1,788	\$0	N
Attachment L Detroit Public Schools Community District	1	47 CFR § 54.516(a)(1) - The Beneficiary did not Retain Adequate Bid Evaluation Records – The Beneficiary failed to retain adequate bid evaluation records.	\$8,739,031	\$369,366	\$369,366	\$0	Partial
Attachment M Corporation for Education Network Initiatives in California	3	No significant findings.	\$12,459,743	\$229,503	\$64,256	\$0	Y
Attachment N Susquehanna Township School District	1	No significant findings.	\$65,652	\$0	\$0	\$0	N
Total	10		\$24,255,066	\$924,244	\$724,523	\$374,190	

* The USAC Management Recovery Action may be less than the Monetary Effect as the circumstances did not warrant a recovery of funds (i.e., the Beneficiary paid its non-discounted share of services or service provider reimbursed the E-Rate program prior to audit completion).

INFO Item: Audit Released August 2025
Attachment H
10/27/2025

Attachment H

SL2023LR014

*Limited Scope Performance Audit
Of
Greater Bergen Community Action Inc.'s
Compliance with the Federal Universal Service Fund E-Rate
Support Mechanism Rules
for Funding Year 2021
Conducted for:
Universal Service Administrative Company
USAC Audit No. SL2023LR014*

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

TABLE OF CONTENTS

<u>Executive Summary</u>	1
<u>Audit Result Recovery Action</u>	3
<u>USAC Management’s Response</u>	3
<u>Background, Objective, Scope, and Procedures</u>	3
<u>Detailed Audit Finding</u>	6
<u>Finding #1: 47 C.F.R. § 54.520(h) and 47 C.F.R. § 54.516(a) – Failure to Comply with the CIPA Public Notice; Hearing or Meeting Requirements; and Recordkeeping Requirements.</u>	6
<u>Criteria</u>	7
<u>Appendix 1: Beneficiary Response</u>	9

Executive Summary

May 5, 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Greater Bergen Community Action Inc. (Beneficiary), Billed Entity Number (BEN) 16040958, for the twelve-month period ended June 30, 2022 (Funding Year 2021), using regulations set forth in 47 C.F.R. Part 54, orders governing the federal Universal Service E-Rate Program, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC's Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

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

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

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

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

May 5, 2025

Audit Result Recovery Action

Audit Result	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.520(h) (2020) – Public Notice; Hearing or Meeting. The Beneficiary failed to provide support that meetings, hearings, or the public was notified of internet safety and acceptable use policies. Finding #1: 47 C.F.R. § 54.516(a) (2020) – Auditing and Inspections, Recordkeeping Requirements. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.	\$0	\$0
Total Net Monetary Effect	\$0	\$0

USAC Management’s Response

USAC management concurs with the Audit Results stated above. USAC may review other FCC forms and documents filed by the Beneficiary and Service Provider during the audited Funding Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request that the Beneficiary 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/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-Post-Commitment-Process.pdf> (please see pages 20-28).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: E-Rate Post-Commitment Process, November 07, 2023). Please see timestamp 21:20-25:45.
- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>
- <https://www.usac.org/e-rate/resources/document-retention/>

USAC records show that the Beneficiary and Service Provider are currently subscribed to the E-Rate 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.

Background, Objective, Scope, and Procedures

Background

Greater Bergen Community Action Inc. (GBCA)

The Greater Bergen Community Action Inc. (GBCA) is a not-for-profit company established in 1967 in New Jersey. GBCA provides a wide range of programs to assist infants, preschoolers, etc., through the Early Childhood Development Programs (Early Head Start/Head Start) unit. GBCA employs around 600 staff in a wide range of professional disciplines and engages the community at every level.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable requirements of the FCC's Rules, as well as the FCC's Orders, that govern the E-Rate Program for Funding Year 2021.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary's compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received during Funding Year 2021.¹ The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding year 2021 FCC Form 471 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$705,443	\$29,796
Internal Connections	\$318,750	\$0
Total	\$1,024,193	\$29,796

Note: The amounts committed and disbursed reflect funding year activity, as of April 25, 2023.

The committed total represents two FCC Form 471 applications with five Funding Request Numbers (FRNs). We selected four FRNs of the funded five FRNs,² which represent \$1,013,052 of the funds committed and \$29,796 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding year 2021 applications submitted by the Beneficiary.

¹ 47 C.F.R. Part 54.

² The FRNs included in the scope of this audit were: 2199058955, 2199061029, 2199058993, and 2199034973.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed to, and received by the Beneficiary, for Funding Year 2021, as of April 25, 2023. These procedures are enumerated below:

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we examined documentation to determine whether it supported the effective use of funding, and demonstrated that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

B. Competitive Bidding Process

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

C. Invoicing Process

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

D. Beneficiary Location

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

E. Reimbursement Process

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

Detailed Audit Finding

Finding #1: 47 C.F.R. § 54.520(h) and 47 C.F.R. § 54.516(a) – Failure to Comply with the Children’s Internet Protection Act (CIPA) Public Notice; Hearing or Meeting Requirements; and Recordkeeping Requirements.

Condition:

We audited the Beneficiary’s compliance with the CIPA public notice and public meeting or hearing requirements. We requested that the Beneficiary provide documentation demonstrating that the Beneficiary provided reasonable public notice and held at least one public hearing or meeting to address the proposed Internet safety policy required under the Children’s Internet Protection Act. We requested that the Beneficiary provide, for example, a copy of the meeting minutes, a meeting advertisement or announcement from the Beneficiary’s website, or an agenda for Head Start’s council policy meetings. We also inquired whether the Beneficiary held public meetings, hearings, or sent notices addressing Internet safety and acceptable use policies to the general public, employees, students, or parents of attending students during the Funding Year 2021. The Beneficiary stated that it did, but it was unable to provide documentation to support the fact that such meetings occurred or reasonable public notice was provided. We, however, noted that there was a technological protection measure for blocking or filtering inappropriate websites during the audit period.

Cause:

The Beneficiary did not retain the documents to demonstrate that it had provided reasonable public notice and held at least one public hearing or meeting to address the Internet safety policy as required under the Children’s Internet Protection Act.

Effect:

The monetary effect of this finding is \$0. There is no recommended recovery for this finding as the Beneficiary’s noncompliance with the CIPA public notice and public meeting or hearing requirement has no monetary effect.

Recommendations:

We recommend that:

1. The Beneficiary must ensure that it communicates to the public about the Internet safety policy; and convene at least one public hearing or meeting to discuss it.
2. The Beneficiary must develop and implement a document retention policy to ensure that all the documents required to demonstrate the Beneficiary’s compliance with the FCC Rules are properly retained.

Further, we recommend the Beneficiary visit USAC’s website at <https://www.usac.org/e-rate/learn/> to

become familiar with the training and outreach available from the E-Rate program and ensure it has designated personnel on staff knowledgeable of the FCC Rules to monitor compliance with the FCC Rules.

Beneficiary Response:

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

Auditor's Response:

Since the Beneficiary concurred with our finding and has provided us with documentation to demonstrate that it has taken corrective action (i.e., provided public notice and held an internet safety meeting) no further action is required on this finding³. We note that the monetary effect of this finding is \$0 because, although the Beneficiary was not able to provide documentation demonstrating that it provided reasonable public notice and held at least one public hearing or meeting to address its proposed Internet safety policy, the Beneficiary did have a Technology Protection Measure (TPM) in place. It also took steps to cure the CIPA violation by providing notice and holding an Internet safety meeting.³

Criteria

Finding	Criteria	Description
# 1	47 C.F.R. § 54.520(h) (2020) – 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
# 1	47 C.F.R. § 54.516(a) (2020) – Auditing and Inspections, Recordkeeping Requirements	Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.

³ See *Schools and Libraries Universal Service Support Mechanism, A National broadband Plan for Our Future*, CC Docket No. 02-6, GN Docket No. 09-51, Report and Order, FCC 11-125, para. 20, n. 69 (2011) (*2011 CIPA Order*) (explaining that a school or library who “cannot locate any records of a public notice and hearing that was held after August 2004, . . . the school or library could provide public notice and hold a hearing or meeting to be able to demonstrate that it has complied with the statute”).

⁴ See *id.*

	<i>Schools and Libraries Universal Support Mechanism, A National Broadband Plan for Our Future, CC Docket No. 02-6, Report and Order, FCC 11-125, para. 21 (2011)</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 must 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>Schools and Libraries Universal Support Mechanism, A National Broadband Plan for Our Future, CC Docket No. 02-6, Report and Order, FCC 11-125, para. 20, and n. 69 (2011)</i>	"However, prospectively, an entity must, a minimum, keep some record of when the public notice and hearing or meeting took place (e.g., a copy of the meeting agenda, or a newspaper article announcing the hearing or meeting)." Footnote 69 provides "If the school or library cannot locate any record of a public notice and hearing that was held after August 2004 (such as board minutes, an announcement to the public or an affidavit from someone who attended swearing that the meeting occurred), the school or library could provide public notice and hold a hearing or meeting to be able to demonstrate that it has complied with the statute."

Appendix 1: Beneficiary Response



Greater Bergen Community Action
392 Main Street
Hackensack, NJ 07601
201-968-0200
www.GreaterBergen.org

September 30, 2024

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

Please see our official response below for the non-monetary finding:

Beneficiary Response

Greater Bergen has had a change in Management and staff since the early CIPA documents were created. Our efforts to recover the documents were unsuccessful. Greater Bergen has advertised and held an Internet Safety Meeting since this was brought to our attention.

This meeting was documented, and the retention policy indicates that the documentation will be stored for each Funding Year going forward.

In addition, all relevant supporting documentation was sent to Mr. Saidu Bangura, of Regis & Associates via email. This includes the Public Notice advertisement as well as the presentation for those who attended the public hearing.

Sincerely,

Haymee Medina

Chief Financial Officer

** This concludes the audit report. **

INFO Item: Audit Released August 2025
Attachment I
10/27/2025

Attachment I

SL2023LR015

*Limited Scope Performance Audit
of
SUPERNet II's*

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

for Funding Year 2021

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2023LR015


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

TABLE OF CONTENTS

Executive Summary	1
Audit Results and Recovery Action	3
USAC Management’s Response.....	3
Background, Objective, Scope, and Procedures	4
Finding #1: 47 C.F.R. § 54.523 (2020) – Beneficiary Did Not Pay the Non-Discount Portion in Full	6
Finding #2: 47 C.F.R. § 54.504(a) (2020) – Beneficiary Requested Services for a School District for Which the Beneficiary had No Letter of Agency	7
Criteria.....	9
Appendix 1: Beneficiary Response.....	10

Executive Summary

August 6, 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of SUPERNet II (Beneficiary), Billed Entity Number 16026467, for the twelve-month period ended June 30, 2022, (Funding Year 2021), using the 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, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit.

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

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

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

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

August 6, 2025

Audit Results and Recovery Action

Audit Result	FRN	Monetary Effect	Recommended Recovery
Finding # 1: 47 C.F.R. § 54.523 (2020) – Beneficiary Did Not Pay the Non-Discount Portion in Full. The Beneficiary did not pay in full its non-discounted share to the Service Provider.	2199061817	\$34,474	\$0
Finding #2: 47 C.F.R. § 54.504(a) (2020) – Beneficiary Requested Services for a School District for Which the Beneficiary had No Letter of Agency. The Beneficiary requested E-Rate services via the FCC Form 471 and funds were committed for costs associated with a school district that had opted not to join its consortium.	2199061817	\$15,400	\$15,400
	2199061720	\$269,425	\$269,425
Total	--	\$319,299	\$284,825

USAC Management’s Response

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

- <https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/>
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/consortia/>
- <https://www.usac.org/e-rate/learn/webinars/>, (November 7, 2024, E-Rate Fall Training 2024: Invoicing) (Please see slides 31, 40, 65, and 76).

USAC records show the beneficiary and service provider are currently subscribed to the E-Rate 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	Commitment Adjustment Amount	Recovery Amount
2199061817	\$20,000	\$15,400
2199061720	\$349,902	\$269,425

Background, Objective, Scope, and Procedures

Background

SUPERNet II – Overview

SUPERNet II is a K-12 consortium in Texas. It was established in 1996 by East Texas school districts to provide member schools with affordable internet connection and technology expertise. The consortium is comprised of 9 school districts.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable FCC Rules, as well as the FCC Orders that governed the E-Rate Program in Funding Year 2021.

Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary’s compliance with the FCC Rules. The FCC Rules govern committed amounts and disbursements received during Funding Year 2021. The testing and analysis conducted are detailed in the Procedures section. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$2,946,980	\$2,855,088

Note: The amounts committed and disbursed reflect Funding Year activity, as of April 24, 2023.

The committed total represents two FCC Form 471 applications with four Funding Request Numbers (FRNs). We selected two FRNs of the funded four FRNs¹, which represent \$ 2,821,701 of the funds committed and disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2021 applications submitted by the Beneficiary.

¹ The FRNs included in the scope of this audit were: 2199061720 and 2199061817.

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed, and disbursed for Funding Year 2021, as of April 24, 2023. These procedures are enumerated below:

A. Application Process

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

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

B. Competitive Bidding Process

We obtained and examined documentation to determine whether all bids received were properly evaluated and price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the Selected Service Providers.

C. Invoicing Process

We obtained and examined invoices for which payment was disbursed by USAC to determine whether the services identified on the FCC Form 474 Service Provider Invoices (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 invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. We reviewed invoices associated with the SPI Forms for services provided to the Beneficiary. We verified that the services identified on the SPI Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and eligible in accordance with the E-Rate Eligible Services List.

Detailed Audit Findings

Finding #1: 47 C.F.R. § 54.523 (2020) – Beneficiary Did Not Pay the Non-Discount Portion in Full

Condition:

We audited Service Provider bills and verified payments to determine whether the Beneficiary paid its non-discounted share of costs of services purchased with E-Rate program funds. The Beneficiary did not pay in full, its non-discounted share of costs to the Service Provider for FRN 2199061817.² Specifically, the Beneficiary did not pay for the ineligible costs associated with the E-Rate funding request as shown below:

FRN	Ineligible One-Time Costs (A)	Eligible Non-Discount Costs (B)	Total Non-Discount costs (C=A+B)	Total Paid Non-Discount Portion (D)	Total Unpaid Non-Discount Portion (E=C-D)
2199061817	\$37,474	\$38,071	\$72,545	\$38,071	\$37,474

The Beneficiary is responsible for payment of the ineligible charges of \$37,474.

Cause:

The Beneficiary did not have an adequate process in place to ensure that the non-discount portion was paid in full.

Effect:

The monetary effect of this finding is \$37,474. The ineligible amounts were excluded from the commitment and USAC disbursement amount, and therefore, we do not recommend recovery of the unpaid ineligible services cost.

Recommendation:

We recommend the Beneficiary implement controls and procedures to ensure that it pays its full non-discounted share, as required by the FCC Rules.

Beneficiary Response:

The Beneficiary agreed with the finding, and noted that they would pay the ineligible amount immediately upon receipt of a bill from the Service Provider. The Beneficiary, however, noted the ineligible amount was determined in error by USAC and planned to file an appeal. Refer to Appendix 1 for the entire response.

Auditor Response:

The Beneficiary agreed with the finding and provided evidence of payment of the amount due prior to issuance of this report, and therefore, no further response is necessary.

² See also 47 C.F.R. §54.504 (a)(1)(iii).

Finding #2: 47 C.F.R. § 54.504(a) (2020) – Beneficiary Requested Services for a School District for Which the Beneficiary had No Letter of Agency

Condition:

The Beneficiary requested E-Rate services via the FCC Form 471 and funds were committed for costs associated with a school district that opted not to join its consortium (herein after referred to as “the School District”) and for which the Beneficiary had not obtained a letter of agency. The ineligible School District’s costs were included on the Beneficiary’s FCC Form 471 application; however, the ineligible School District was not included as a recipient of service. The Beneficiary had included the School District on its FCC Form 470 filing as a recipient of service. The School District, however, later opted not to join the consortium. The Beneficiary informed the bidders of the School District’s decision during the bidding process and prior to submission of bids. The bidding Service Providers still included proposed costs for the ineligible School District in their bids. The Beneficiary requested that the winning bidder remove all the costs associated with the ineligible School District from the contract. The Service Provider, however, did not exclude all the associated ineligible costs.³ Those ineligible costs were ultimately invoiced to USAC by the Service Provider. The table below summarizes the impacted FRNs and monetary effect of not excluding the cost of the ineligible School District.

FRN	Product Type	Proposed cost for the School District (A)	Discount Rate (B)	Excess Commitment (Monetary Effect) (C=A*B)
2199061817	Hardware	\$20,000	77%	\$15,400
2199061720	Special Construction	\$349,902	77%	\$269,425
Total		\$369,902	--	\$284,825

The Beneficiary signed a contract with the Service Provider that included service to the School District. The Beneficiary then submitted the contract with the error to USAC with its FCC Form 471 filing, resulting in the ineligible cost being erroneously included on the Funding Commitment Decision Letter (FCDL).⁴ The Beneficiary did not subsequently file an FCC Form 500 to adjust the funding that was committed.⁵

³ We reviewed email communication from the Service Provider from March 24, 2021, stating that the ineligible District cost was removed from the contract file attached to the email. We, however, observed from the contract that the ineligible District’s costs were only removed from costs associated with another FRN related to monthly recurring cost that were included on the same FCC Form 471 application.

⁴ 47 CFR 54.504(a)(1) (providing that the person signing the FCC Form 471 has authority to order eligible services for the eligible school(s), library(ies); and consortium(ia) included on the application). *See also* Universal Service Administrative Company, Letter of Agency, <https://www.usac.org/e-rate/applicant-process/competitive-bidding/letter-of-agency-loa/> (last visited April 14, 2025); *First 2014 E-Rate Order*, FCC 14-99, para 180 (2014) (providing that a consortium may show that it is authorized to order eligible services for applicants by providing relevant state statutes or regulations or some other proof that each consortium member is aware that it is represented in the application.)

⁵ The FCC Form 500 (Funding Commitment Adjustment Request Form) is used to submit changes to funding requests after USAC has issued commitments for those requests. The FCC Form 500 cannot be filed until USAC has issued an FCDL for the FRN. The FCC Form 500 should be filed as soon as the applicant is aware of new circumstances that require adjustment to one or more FRNs.

Cause:

The Beneficiary did not remove funding for the School District that opted not to join the consortium from its E-Rate application or funding commitment. The Beneficiary did not have an adequate process in place to ensure the completeness and accuracy of the E-Rate funding requests.

Effect:

The monetary effect of this finding is \$284,825. We recommend seeking recovery of the erroneously committed and invoiced funds as they were not for eligible universal service support.

Recommendation:

We recommend:

1. The Service Provider refund the excess E-Rate funding invoiced.
2. The Beneficiary implement policies and procedures to ensure that E-Rate funding commitment requests are complete and accurate.

Beneficiary and Service Provider Responses:

We received a response signed by both the Beneficiary and the Service Provider, in which they agreed with the finding and noted USAC should invoice the Service Provider in November 2025. Refer to Appendix 1 for the entire response.

Auditor Response:

Since the Beneficiary and Service Provider agreed to the finding, no further response is necessary.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.523 (2020)	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.
#2	47 C.F.R. § 54.504(a) (2020)	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.
#2	47 C.F.R. § 54.504(a)(1)(vi) (2020)	The FCC Form 471 shall be signed by the person authorized to order eligible services for the eligible school, library, or consortium and shall include that person's certification under oath that: ... (v) The services the school, library, or consortium purchases at discounts will be used primarily for educational purposes ...

Appendix 1: Beneficiary Response



SUPERNet II Consortium

C/O Mineola ISD

1000 W. State Loop 564

Mineola, TX 75773

Devin Tate – SUPERNet II Board President

January 14, 2025

Re: SUPERNet II 2021 Audit Findings SL2023LR015, Form 470# 210016612, Form 471# 211039101, Funding Request# 2199061817 & 2199061720

Good morning,

This letter is to address audit findings on the above referenced Funding Request Numbers. SUPERNet II and Etex Telephone plan to resolve the findings presented in the following manner.

Finding #1 - SUPERNet II 2021 Audit Findings SL2023LR015, Form 470# 210016612, Form 471# 211039101, Funding Request# 2199061817 - Etex Telephone will invoice SUPERNet II in the amount of \$34,474.00 immediately. SUPERNet II will pay that amount upon receipt of invoice.

Finding for FRN 2199061817 SUPERNet II plans to appeal based on the fact that USAC made a mistake in PIA Review. The amount discounted total should have been \$3,830.40 (\$425.60 x 9). However it was improperly multiplied by each (9) participating members. This error was not caught by SUPERNet II but as with this audit any mistakes in amounts should be corrected in good faith. When this is corrected SUPERNet II should be reimbursed \$30,643.20 (\$34,474 – \$3,830.40).

Finding #2 - SUPERNet II 2021 Audit Findings SL2023LR015, Form 470# 210016612, Form 471# 211039101, Funding Request# 2199061720 - Etex Telephone will invoice SUPERNet II in the amount of \$284,825.00 in October 2025. USAC will need to invoice Etex in November 2025 since this was SPI.

Finding for FRN 2199061720 will be paid by SUPERNet II and Etex in the Funding Year 2025-2026. In the current budget this amount was not included as the audit had not been completed. Therefore, SUPERNet II has designated this amount to be included in the budget for next year (see Management Board Minutes attached).

Signed this the 21 day of January, 2025.

SUPERNet II Management Board President
Devin Tate

Etex Telephone General Manager/CEO
Charlie Cano

Page 1 of 1

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

INFO Item: Audit Released August 2025

Attachment J

10/27/2025

Attachment J

SL2024LR019

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

FAMILY SERVICES, INC.

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

USAC AUDIT No. SL2024LR019



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	2
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	2
DETAILED AUDIT FINDING.....	4
FINDING No. 1, 47 C.F.R. § 54.501(a)(1) (2021)– THE BENEFICIARY DID NOT ALLOCATE SERVICES REQUESTED BETWEEN ELIGIBLE AND INELIGIBLE PROGRAMS	4
CRITERIA	7



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
FAMILY SERVICES, INC.
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

April 2, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Family Services, Inc. (Beneficiary), Billed Entity Number (BEN) 16068768, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select the Beneficiary’s 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.

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

Based on the test work performed, our audit disclosed one detailed audit finding 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 audit 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	Downward Commitment Adjustment
Finding No. 1, 47 C.F.R. § 54.501(a)(1) (2021)– The Beneficiary Did Not Allocate Services Requested Between Eligible and Ineligible Programs. The Beneficiary did not remove the cost of services for its ineligible Early Head Start programs from its funding request.	\$4,288	\$4,288	\$4,288
Total Net Monetary Effect	<u>\$4,288</u>	<u>\$4,288</u>	<u>\$4,288</u>

USAC Management Response

USAC Management concurs with the Audit Result stated above. See the chart below for the recovery amount. USAC may review other FCC forms and documents filed by the Beneficiary and Service Provider during the audited Funding Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request that the Beneficiary and Service Provider provide copies of policies and procedures implemented to address the issue 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/applicant-process/before-you-begin/non-traditional-education-eligibility/>
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/school-and-library-eligibility/>

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

FRN	Recovery Amount
2299037392	\$4,288

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2022. The Beneficiary is a school district located in Winston-Salem, North Carolina, that serves more than 230 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2022 as of March 28, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$46,699	\$42,163
Total	\$46,699	\$42,163

The “amount committed” total represents one FCC Form 471, *Description of Services Ordered and Certification Form*, application submitted by the Beneficiary for FY 2022 that resulted in one Funding Request Number (FRN). We tested this FRN,² which represents \$46,699 of the funds committed and \$42,163 of the funds disbursed during the audit period. Using this FRN, 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. We obtained and examined documentation to verify whether it supported the Beneficiary’s effective use of funding and ensure adequate controls to ensure that funds are used in accordance with FCC Rules. We conducted 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.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible services as the primary factor when selecting its Service Provider. We also obtained and examined

² We tested FRN 2299037392.

evidence to determine whether the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC's website before signing its contract with the Service Provider for the services discussed in this audit. Additionally, we examined the Service Provider's contract to determine whether it was properly executed.

C. Invoicing Process

We obtained and examined the invoice for which USAC disbursed payment to determine whether the services identified on the FCC Form 474, *Service Provider Invoice (SPI) Form*, 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.

D. Beneficiary Location

We conducted inquiries to determine whether the services were provided 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 was using the funding in an effective manner.

F. Reimbursement Process

We obtained and examined the invoice that the selected Service Provider submitted to USAC for reimbursement and performed procedures to determine whether the Service Provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the SPI Form for services provided to the Beneficiary. We verified that the services identified on the SPI Form 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 Finding

Finding No. 1, 47 C.F.R. § 54.501(a)(1) (2021)– The Beneficiary Did Not Allocate Services Requested Between Eligible and Ineligible Programs

Condition

The Beneficiary requested funding for, and its selected Service Provider invoiced for, Internet access services provided to five Head Start and one administrative location under FRN 2299037392.³ Although eligible services were provided at each of these locations, three of the

³ See also 47 C.F.R. §54.500 (2021); 47 C.F.R. §54.504(a)(1)(i)(vi)(viii) (2021); Schools and Libraries Universal Service Description of Services Ordered and Certification Form, FCC Form 471, OMB 3060-0806, Block 5, Line 23 (2021); FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2022); FCC Form 474, Schools and Libraries Universal Service Provider Invoice (SPI) Form, OMB 3060-0856, at Block 3 (2022); Universal Service Administrative Company, E-Rate | Non-Traditional Education Eligibility, <https://www.usac.org/e-rate/applicant-process/before-you-begin/non-traditional-education-eligibility/> (Last visited April 15, 2025).

Head Start locations had Early Head Start programs which include children under three years old. As children under the age of three are not eligible for E-Rate program support, the Beneficiary should have, but did not, remove the cost of services provided to the ineligible students from its Form 471 when requesting funding for E-Rate services. Further, the Beneficiary did not inform the Service Provider that a portion of the services it was providing were ineligible because three of the Head Start locations had these Early Head Start programs.

As a result, the Beneficiary received funding – and the Service Provider invoiced the E-Rate program – for all Internet access services provided to these locations. We calculated the ineligible costs invoiced for each location, based on the number of Early Head Start students served as a percentage of total students enrolled at each location, as follows:

Location Name	Cost of Invoiced Services (Pre-Discount)	Percentage of Students Ineligible for E-Rate	Cost of Services to Ineligible Students (Pre-Discount)
Family Services - Admin.	\$20,388	12%	\$2,447
Sarah Y. Austin (SYA) Child Development Center	\$5,040	16%	\$806
Mineral Springs Child Development	\$5,040	0%	\$0
Kernersville Child Development	\$5,040	0%	\$0
Family Services - Admin 2 Healy	\$6,300	12%	\$756
Family Services Child Development (FSCD) at Washington Park	\$5,040	15%	\$756
Total	<u>\$46,848</u>		<u>\$4,765</u>

Cause

The Beneficiary did not have adequate policies, controls, and procedures to ensure it removed costs related to ineligible programs from its E-Rate funding requests or to ensure that it informed the Service Provider of ineligible students receiving E-Rate funded services. Further, the Service Provider did not have sufficient processes to identify or remove the costs of ineligible services from the invoices that it submitted to USAC when beneficiaries fail to identify or properly cost allocate services provided to ineligible populations.

Effect

The monetary effect of this finding is \$4,288 (\$4,765 multiplied by the Beneficiary's 90% discount rate).

Support Type	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
Internet Access FRN 2299037392	\$4,288	\$4,288	\$4,288

Recommendations

We recommend:

1. USAC Management seek recovery of, and record a downward commitment adjustment for, the amount identified in the Effect section above.
2. The Beneficiary implement policies, controls, and procedures to ensure that it does not request E-Rate funding for ineligible programs, and that it informs service providers if it has ineligible students receiving E-Rate funded services.
3. The Service Provider review its processes to ensure it is conducting sufficient due diligence to reasonably ensure it is not submitting invoices containing charges for ineligible services, entities, and/or locations.

Beneficiary Response

I am writing to formally acknowledge and accept responsibility for the findings outlined in the recent compliance audit conducted by Sikich CPA LLC for the Fiscal Year 2022 E-Rate program.

I would like to begin by expressing my appreciation for the thorough and professional manner in which the audit was conducted. The insights provided are incredibly valuable and will serve as a key driver in our efforts to continuously improve our processes.

Upon reviewing the audit report, I recognize that there were areas where our processes and controls did not meet the expected standards. Specifically, we failed to comply with FCC Rules by not properly allocating services between eligible and ineligible programs. Family Services did not remove the costs associated with services for its ineligible Early Head Start programs from its funding request.

I take full responsibility for these shortcomings and am committed to addressing them promptly and effectively. I am working closely with my team to implement a comprehensive action plan to ensure that such issues do not arise again in the future.

Thank you for your understanding and support as we work through these improvements. If you have any further questions or need additional information, please do not hesitate to reach out. Once again, thank you for your diligence and cooperation.

Service Provider Response

Charter Communications Operating, LLC (“Charter”) respectfully requests that USAC withdraw its finding that the “Service Provider did not have adequate policies, controls, and procedures to ensure that it did not invoice USAC for ineligible services.” In this case, USAC’s auditors determined that at four of the E-rate beneficiary’s six locations, the E-rate-eligible services that Charter provided apparently were used by a small portion of students—between 12% and 16%—who were not eligible for E-rate support. While an E-rate beneficiary is well-positioned to identify any portions of its population or any use of its E-rate services that may be ineligible for E-rate support, a service provider would not be involved in the day-to-day operations of the educational programs at any particular customer location and would not have any insight into such details regarding the use of the E-rate-eligible services. USAC’s

findings do not identify any FCC rule that imposes an obligation on E-rate service providers to conduct that level of diligence. In this case, it would be impracticable for Charter to verify that a small percentage of students at the locations at issue were not E-rate-eligible. If USAC declines to withdraw the finding with respect to Charter, the recommendations should be revised to clarify that any action to recover E-rate support be against the beneficiary, and not the service provider.

Auditor Response

We acknowledge that the Beneficiary had the responsibility to accurately allocate eligible and ineligible costs in its E-Rate funding request and notify USAC and its Service Provider of any changes that impact E-Rate support amounts. However, the Service Provider annually certifies that the invoices it submits are for eligible services. Accordingly, while our position on this finding has not changed, we have updated the condition and recommendations to acknowledge both the Beneficiary and Service Provider's responsibilities. Our report does not address how USAC should recover overpaid E-Rate support. USAC Management will determine how the funds will be recovered.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.501(a)(1) (2021)	<i>Only schools meeting the statutory definition of “elementary school” or “secondary school” as defined in § 54.500 of this subpart, and not excluded under paragraphs (a)(2) or (3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.</i>
1	45 C.F.R. § 54.500 (2021)	<i>Elementary school. An “elementary school” means an elementary school as defined in 20 U.S.C. 7801(18), a non-profit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under state law.</i>
1	45 C.F.R. § 54.504 (a) (1) (i)(vi)(viii)(2021)	<i>a) 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.</i> <i>(1) The FCC Form 471 shall be signed by the person authorized to order eligible services for the eligible school, library, or consortium and shall include that person's certification under oath that:</i> <i>(i) The schools meet the statutory definition of “elementary school” or “secondary school” as defined in § 54.500 of this subpart, do not operate as for-profit businesses, and do not have endowments exceeding \$50 million...</i> <i>(vi) The entities listed in the application have complied with all program rules and acknowledge that failure to do so</i>

Finding	Criteria	Description
		may result in denial of discount funding and/or recovery of funding... (viii) The applicant recognizes that it may be audited pursuant to its application, that it will retain for ten years any and all worksheets and other records relied upon to fill out its application, and that, if audited, it will make such records available to the Administrator.
1	Schools and Libraries Universal Service Description of Services Ordered and Certification Form, FCC Form 471, OMB 3600-0806, Block 5, Line 23 (2021)	23. Calculations A. Monthly charges (total amount per month for service) B. How much of the amount in A is ineligible? C. Eligible monthly pre-discount amount (A minus B)... 25. I certify that the entities listed in Block 4 of this application are eligible for support because they are: ... schools under the statutory definitions of elementary and secondary schools found in the No Child Left Behind Act of 2001, 20 U.S.C. §§ 7801(18) and (38), that do not operate as for-profit businesses and do not have endowments exceeding \$50 million... 31. I certify that I and the entity(ies) I represent have complied with all program rules, including recordkeeping requirements, and I acknowledge that failure to do so may result in denial of discount funding and/or cancellation of funding commitments. There are signed contracts covering all of the services listed on this Form 471 except for those services provided under non-contracted tariffed or month-to-month arrangements. I acknowledge that failure to comply with program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.... I certify that if any of the Funding Requests on this Form 471 are for discounts for products or services that contain both eligible and ineligible components, that I have allocated the eligible and ineligible components as required by the Commission's rules at 47 C.F.R. § 54.504(g)(1), (2).
1	FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2022)	...certify that the Service Provider invoice Forms (FCC Form 474) that are submitted by the Service Provider contain requests for universal service support 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. ... certify that the Service Provider invoice Forms (FCC Form 474) that are submitted by the 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 excludes any charges previously

Finding	Criteria	Description
		<i>invoiced to the fund administrator for which the fund administrator has not yet issued a reimbursement decision</i>
1	FCC Form 474, Schools and Libraries Universal Service Provider Invoice (SPI) Form, OMB 3060-0856, at Block 3 (2022)	<i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i> <i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i>
1	Universal Service Administrative Company, E-Rate Non-Traditional Education Eligibility, https://www.usac.org/e-rate/applicant-process/before-you-begin/non-traditional-education-eligibility/ (Last visited April 15, 2025)	<i>...Head Start students are eligible for funding if the law in that state includes Head Start education within its definition of elementary education. However, services provided to students less than three years old are not eligible for discounts...</i>

Sibich CPA LLC

INFO Item: Audit Released August 2025
Attachment K
10/27/2025

Attachment K

SL2024SP009

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

SIERRA COMMUNICATIONS, INC.

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

USAC AUDIT No. SL2024SP009



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	2
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	3
DETAILED AUDIT FINDING.....	4
FINDING No. 1, FCC FORM 473, SPAC FORM, AT BLOCK 2 (2022); FCC FORM 474, SPI FORM, AT BLOCK 3 (2022) – SERVICE PROVIDER INVOICED THE E-RATE PROGRAM FOR INELIGIBLE SERVICES AND SERVICES THAT WERE NOT INCLUDED ON THE FCC FORM 471 OR APPROVED FOR FUNDING.	4
CRITERIA	5



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
SIERRA COMMUNICATIONS, INC.
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

April 8, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Sierra Communications, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143022745, for Funding Year (FY) 2022, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission (FCC) Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on the audit.

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

Based on the test work performed, our audit disclosed one detailed audit finding, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a

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

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 Results and Recovery Action

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

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form, at Block 2 (2022); FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 (2022) – Service Provider Invoiced the E-Rate Program for Ineligible Services and Services that Were Not Included on the FCC Form 471 or Approved for Funding. The Service Provider invoiced the E-Rate program for ineligible late fees and for services that the Beneficiary did not include on its Form 471.	\$1,778	\$1,778
Total Net Monetary Effect	<u>\$1,778</u>	<u>\$1,778</u>

USAC Management Response

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

- <https://www.usac.org/e-rate/service-providers/step-5-invoicing/fcc-form-474-filing/>

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

FRN	Recovery Amount
2299000661	\$1,778

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2022. The Service Provider is headquartered in Des Moines, New Mexico, and provides Internet access services to customers in New Mexico and Colorado.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2022 as of February 16, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$138,249	\$63,593
Total	<u>\$138,249</u>	<u>\$63,593</u>

The “amount committed” total represents seven FCC Form 471, *Description of Services Ordered and Certification Form*, applications submitted by Beneficiaries for FY 2022 that resulted in seven Funding Request Numbers (FRNs). We selected all seven FRNs,² which represent \$138,249 of the funds committed and \$63,593 of the funds disbursed during the audit period. For each FRN, we performed the audit procedures enumerated below.

A. Eligibility Process

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

B. Competitive Bidding Process

We conducted inquiries and examined documentation to determine whether the Service Provider participated in, or appeared to have influenced, the selected Beneficiaries’ competitive bidding process. We reviewed the Service Provider’s contracts with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the services requested and purchased by the selected Beneficiaries to determine whether the Service Provider provided services requested in the selected Beneficiaries’

² We tested FRNs 2299037305, 2299011126, 2299058522, 2299047043, 2200912244, 2299044462 and 2299000661.

requested FCC Form 471s. We also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged for similar services provided to non-residential customers similarly situated to the selected Beneficiaries.

C. Billing Process

We reviewed the FCC Forms 472, *Billed Entity Applicant Reimbursement (BEAR) Forms* and FCC Forms 474, *Service Provider Invoice (SPI) Forms* for which USAC disbursed payment to determine whether the services identified on the BEAR Forms and SPI Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider's contracts and were eligible in accordance with the E-Rate Eligible Services List. In addition, we examined documentation to determine whether the Service Provider billed the selected Beneficiaries for the non-discounted portion of eligible services purchased with universal service discounts and did not provide rebates, including free services or products.

D. Reimbursement Process

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

Detailed Audit Finding

Finding No. 1, FCC Form 473, SPAC Form, at Block 2 (2022); FCC Form 474, SPI Form, at Block 3 (2022) – Service Provider Invoiced the E-Rate Program for Ineligible Services and Services that Were Not Included on the FCC Form 471 or Approved for Funding.

Condition

The Service Provider invoiced the E-Rate program for \$1,975 in charges incurred for ineligible late fees and services that one of the sampled Beneficiaries (Raton Public Schools) did not include on its Form 471 request for funding for FRN 2299000661. Specifically, the Service Provider invoiced the E-Rate program for:

- \$237 in late payment penalties, which are not eligible for E-Rate funding per the FY 2022 Eligible Services List.³
- \$1,738 in 10/3 Mbps Internet access services provided to the Bus Barn and Tiger Stadium locations. The Beneficiary did not include 10/3 Mbps services in its Form 471 request for

³ See also 47 C.F.R. §54.504 (f)(5) (2021) and *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, DA 21-1602, Appendix B (WCB 2021).

funding. In addition, the Beneficiary’s contract with the Service Provider did not include these services.

Cause

The Service Provider did not have adequate controls in place to ensure that it only invoiced the E-Rate program for services that were eligible and approved for funding.

Effect

The monetary effect of this finding is \$1,778 (\$1,975 multiplied by the Beneficiary’s 90 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2299000661	\$1,778	\$1,778

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement controls to ensure that it only invoices the E-Rate program for eligible and funded services.

Service Provider Response

We acknowledge the errors discovered during the audit process and have put safeguards in place to ensure this type of situation does not happen again in the future. Ultimately, our goal is to provide reliable and affordable service to our customers and we appreciate the staff at Sikich for helping us to locate gaps in both our training and review processes so we are able to move forward knowing our records are clean and the bidding/billing/invoicing processes are being done in a suitable manner.

Criteria

Finding	Criteria	Description
1	FCC Form 473, Service Provider Annual Certification (SPAC) Form, at Block 2 (2022)	<i>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 service which have been billed to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i> <i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are</i>

Finding	Criteria	Description
		<i>based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i> <i>11. I certify that the bills or invoices submitted by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i> ... <i>21. I certify that, in addition to the foregoing, this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program, and acknowledges that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and for cancellation of funding commitments. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</i>
1	FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2022)	<i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i> <i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitment.</i> <i>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.</i>

Finding	Criteria	Description
1	47 C.F.R. §54.504 (f)(5).(2021)	<i>(5) The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i>
1	<i>Modernizing the E-Rate Program for Schools and Libraries, WC Docket No. 13-184, DA 21-1602, Appendix B (WCB 2021)</i>	<i>The Federal Communications Commission's (FCC) rules provide that all services that are eligible to receive discounts under the Schools and Libraries Universal Service Support Mechanism (otherwise known as the E-Rate program or E-Rate) are listed in this Eligible Services List (ESL).</i>

Sikich CPA LLC

INFO Item: Audit Released August 2025
Attachment L
10/27/2025

Attachment L

SL2023LR012

*Limited Scope Performance Audit
of
Detroit Public Schools Community District's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules
for Funding Year 2021
Conducted for:
Universal Service Administrative Company
USAC Audit No. SL2023LR012*

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

TABLE OF CONTENTS

<u>Executive Summary</u>	1
<u>Audit Result Recovery Action</u>	3
<u>USAC Management’s Response</u>	3
<u>Background, Objective, Scope, and Procedures</u>	4
<u>Detailed Audit Finding</u>	7
<u>Finding # 1: 47 CFR § 54.516(a) – The Beneficiary did not Retain Adequate Bid Evaluation Records</u>	7
<u>Criteria</u>	7
<u>Appendix 1: Beneficiary Response</u>	8

Executive Summary

August 5 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Detroit Public Schools Community District (Beneficiary), Billed Entity Number 130944, for the twelve-month period ended June 30, 2022, (Funding Year 2021), using the 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, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit.

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

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

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

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

August 5 2025

Audit Result and Recovery Action

Audit Result	Monetary Effect	Recommended Recovery
Finding #1: 47 CFR § 54.516(a)(1) - The Beneficiary did not Retain Adequate Bid Evaluation Records – The Beneficiary failed to retain adequate bid evaluation records for FRN 2199018048.	\$369,365.85	\$369,365.85
Total	\$369,365.85	\$369,365.85

USAC Management's Response

USAC management concurs with the Audit Result stated above. USAC may review other FCC Forms and documents filed by the Beneficiary during the audited Fund Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue 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/selecting-service-providers/how-to-construct-an-evaluation/>

<https://www.usac.org/wp-content/uploads/e-rate/documents/samples/Bid-Evaluation-Matrix.pdf>

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.

Background, Objective, Scope, and Procedures

Background

Detroit Public Schools Community District – Overview

The Beneficiary is a public school district located in Detroit, Michigan. It is comprised of 106 schools with a current enrollment of approximately 50,000 students.

Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable FCC Rules,¹ as well as the FCC Orders that governed the E-Rate Program in Funding Year 2021.

Scope

The scope of this performance audit includes examining, on a test basis, evidence supporting the Beneficiary's compliance with the FCC Rules. The FCC Rules govern committed amounts and disbursements received during Funding Year 2021. The testing and analysis conducted are detailed in the Procedures section. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$ 2,413,266	\$ 2,040,862
Internal Connections	\$ 7,184,035	\$ 6,698,169
Total	\$ 9,597,301	\$ 8,739,031

Note: The amounts committed and disbursed reflect Funding Year activity, as of April 28, 2023.

The committed total represents two FCC Form 471 applications with four Funding Request Numbers (FRNs). We selected all four FRNs², which represent \$9,597,301 of the funds committed and \$8,739,031 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2021 applications submitted by the Beneficiary.

¹ 47 C.F.R. Part 54.

² The FRNs included in the scope of this audit were: 2199018048, 2199018043, 2199025755, and 2199025732

Procedures

We performed procedures related to the E-Rate program, relative to amounts committed and disbursed for Funding Year 2021, as of April 28, 2023. These procedures are enumerated below:

A. Application Process

- B.** We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we examined documentation to determine if it supported effective use of funding and demonstrated that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. We conducted inquiries to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which funding was requested. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

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

C. Competitive Bidding Process

We obtained and examined documentation to determine whether all bids received were properly evaluated and price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the Selected Service Providers.

D. Invoicing Process

We obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 474 Service Provider Invoices (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.

E. Beneficiary Location

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

F. Reimbursement Process

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

Detailed Audit Finding

Finding # 1: 47 CFR § 54.516(a)(1) – The Beneficiary did not Retain Adequate Bid Evaluation Records

Condition:

We found that the Beneficiary failed to retain adequate bid evaluation records for FRN 2199018048. The Beneficiary provided a memorandum that summarized the bid evaluation results and the monthly costs for the 3 Service Providers that responded to the request for proposal (RFP). The Beneficiary also provided us with the bid responses for the 3 Service Providers, including the attachments with the monthly cost that the Service Providers had quoted. The summary in the memorandum prepared by the Beneficiary showed that the winning bidder had the highest score and the lowest monthly cost.

The Beneficiary, however, could not provide us with bid evaluation records showing how the scores were assigned to each Service Provider; for each evaluation criteria included in the RFP. In addition, the monthly cost noted by the Beneficiary on the memorandum for all 3 Service Providers, did not agree to the RFP response support provided. Based on our review of the Service Provider's bid response documentation provided by the Beneficiary, the winning bidder did not appear to have the lowest monthly cost.

Due to the absence of complete bid evaluation records that support the scores assigned to each Service Provider and corresponding bid amounts, we were unable to determine whether the Beneficiary selected the most cost-effective service offering using price as the primary factor, and conducted a fair and open competitive bidding process.

Cause:

The Beneficiary did not retain complete bid evaluation records for the FRN 2199018048.

Effect:

The monetary effect of this finding is \$369,363.85. We recommend recovery of the amount USAC disbursed on this FRN, as the Beneficiary did not provide adequate support showing that it conducted a fair and competitive bidding process.

Recommendation:

We recommend the Beneficiary:

1. Implements policies and procedures to ensure that all evaluation material, including individual score sheets, communication with Service Providers are retained and easily retrievable as required by the FCC Rules.
2. Refund the amount disbursed by USAC on FRN 2199018048.

Beneficiary Response:

The Beneficiary agreed with the finding and one related recommendation; however, it disagreed with a second recommendation regarding recommended recovery of the amount USAC disbursed on this FRN associated with the same finding. See Appendix 1 for the full response.

Auditor’s Response:

Since the Beneficiary concurred with our finding, we have no further comment. We recommend that the Beneficiary work with USAC regarding the recommended recovery as the Beneficiary did not provide adequate support showing that it conducted a fair and competitive bidding process.

Criteria

	Criteria	Description
	47 CFR § 54.516(a)(1) (2020) – Auditing and Inspections, Recordkeeping Requirements	Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.

Appendix 1: Beneficiary Response



Fisher Building • 3011 West Grand Blvd. • Detroit, MI 48202
O (313) 240-4377

detroitk12.org

September 9, 2024

From: DPSCD
To: Regis and Associates
Re: USAC Audit No. SL2023LR012

The comments below represent the district's response to the Audit Report's Finding that *"The Beneficiary did not retain a bid evaluation matrix that detailed the bidding criteria and the scores allocated to each criterion"*

Our original response to your question that we provided on May 6, 2024 is restated below...

"We have searched for these detailed worksheets and cannot locate them. All we have are the summary numbers as already presented to you. We believe this is evidence that we conducted a full and fair evaluation, but we confess that we cannot locate the individual score sheets for this evaluation."

We would add that in all other Funding Requests that you examined, we did provide the weighted evaluation factors and bid evaluation matrices that detailed the bidding criteria and the scores allocated to each criterion as evidence of how the selected Service Provider was chosen; and that did demonstrate that the most cost-effective bidder was selected.

DPSCD understands and agrees with USAC's rules on the competitive bidding process and we trust that this single instance will be treated as a lapse in record keeping and not a fault with our adherence to those rules.

Sincerely,

Signature: 

Title: Superintendent

Date: 9/17/2024

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

INFO Item: Audit Released August 2025
Attachment M
10/27/2025

Attachment M

SL2021LR028

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

CORPORATION FOR EDUCATION NETWORK INITIATIVES IN CALIFORNIA

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

USAC AUDIT No. SL2021LR028



Sikich CPA LLC
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314
703.836.6701
www.sikich.com

CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULTS AND RECOVERY ACTION.....	2
USAC MANAGEMENT RESPONSE	3
PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES	3
DETAILED AUDIT FINDINGS AND OTHER MATTER	5
FINDING No. 1, FCC FORM 473, SPAC FORM, AT BLOCK 2 (2019); FCC FORM 474, SPI FORM, AT BLOCK 3 (2019) – SERVICE PROVIDER INVOICED FOR SERVICES DELIVERED FOR DIFFERENT FRNs.....	5
FINDING No. 2, 47 C.F.R. § 54.507(d) (2018) – SERVICE PROVIDER INVOICED THE E-RATE PROGRAM FOR SERVICES DELIVERED OUTSIDE OF THE FY	7
FINDING No. 3, FCC FORM 473, SPAC FORM, AT BLOCK 2 (2019); FCC FORM 474, SPI FORM, AT BLOCK 3 (2019) – SERVICE PROVIDER INVOICED THE E-RATE PROGRAM FOR SERVICES NOT REQUESTED	8
OTHER MATTER No. 1, FIRST 2014 E-RATE ORDER, FCC 14-99, PARA. 235 – SERVICE PROVIDERS BILLED THE BENEFICIARY FOR THE DISCOUNTED SHARE OF COSTS WHILE USING THE SPI METHOD	9
CRITERIA	19
ATTACHMENT 1 (DOCUMENTS INCLUDED IN AT&T RESPONSE TO OTHER MATTER No. 1) ...	23



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
CORPORATION FOR EDUCATION NETWORK INITIATIVES IN CALIFORNIA
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

February 2, 2022

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of the Corporation for Education Network Initiatives in California (Beneficiary), Billed Entity Number (BEN) 225495, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on our audit.

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

Based on the test work performed, our audit found that two of the Beneficiary’s Service Providers did not comply with FCC rules, as provided in the three detailed audit findings and one

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

other matter, 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. An “other matter” is a condition that does not necessarily constitute a violation of FCC Rules but that warrants the attention of the Beneficiary, its Service Providers, and USAC management.

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 audit disclosed that two of the Beneficiary’s Service Providers did not comply with the FCC Rules, as set forth in the three detailed audit findings and one other matter discussed below.

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2019); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2019) – Service Provider Invoiced for Services Delivered for Different Funding Request Numbers (FRNs). One of the Beneficiary’s Service Providers did not use the correct FRNs when invoicing USAC for services provided.	\$160,566	\$0
Finding No. 2, 47 C.F.R. § 54.507(d) (2018) – Service Provider Invoiced the E-Rate Program for Services Delivered Outside of the Funding Year (FY). One of the Beneficiary’s Service Providers invoiced USAC for Internet access services delivered outside of the 2019 FY.	\$64,256	\$64,256
Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2019); FCC Form 474, SPI Form at Block 3 (2019) – Service Provider Invoiced the E-Rate Program for Services Not Requested. One of the Beneficiary’s Service Providers invoiced USAC for Internet access services that the Beneficiary did not request.	\$4,681	\$0
Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed the Beneficiary for the Discounted Share of Costs While Using the Service Provider Invoice (SPI) Method. One of the Beneficiary’s Service Providers billed the Beneficiary for the discounted share of service costs under the SPI method.	<u>\$0</u>	<u>\$0</u>
Total Net Monetary Effect	<u>\$229,503</u>	<u>\$64,256</u>

USAC Management Response

USAC Management concurs with the Audit Results stated above and will seek recovery of the E-Rate program support amount consistent with the FCC Rules. In addition, USAC Management will request that the Service Provider address the areas of deficiency that are identified below in the audit report. See the chart below for the USAC Management's recovery action by FRN. 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 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

USAC encourages the Beneficiary and Service Providers to subscribe to the E-Rate weekly News Brief and review the News Briefs as they contain valuable information about the E-Rate program.

FRN	Recovery Amount
1999007727	\$64,256

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the FCC Rules for FY 2019. The Beneficiary is a consortium located in La Mirada, California and Berkeley, California that serves more than 20 million users.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2019 as of May 25, 2021, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$17,649,363	\$12,459,743

The "amount committed" total represents 101 FCC Form 471 *Description of Services Ordered and Certification Form*, applications submitted by the Beneficiary for FY 2019 that resulted in

220 Funding Request Numbers (FRNs). We selected a sample of eight of the FRNs,² which represent \$2,960,059 of the funds committed and \$2,582,051 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. We obtained and examined documentation to determine whether it supported the Beneficiary's effective use of funding and ensure adequate controls existed to determine whether funds were used in accordance with the FCC Rules. We conducted inquiries and inspected 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. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

We obtained and examined documentation to determine whether the Beneficiary complied with the 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 all bids received were properly evaluated and price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 474, *SPI Form*, 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 to the Service Provider in a timely manner.

D. Beneficiary Location

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

²We tested FRNs 1999020203, 1999007512, 1999006232, 1999019224, 1999050286, 1999007727, 1999022641 and 1999022187.

E. Reimbursement Process

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

Detailed Audit Findings and Other Matter

Finding No. 1, FCC Form 473, SPAC Form, at Block 2 (2019); FCC Form 474, SPI Form, at Block 3 (2019) – Service Provider Invoiced for Services Delivered for Different FRNs

Condition

One of the Beneficiary's Service Providers, CVIN LLC, doing business as (dba) VAST Networks (Service Provider), did not use the correct FRNs when invoicing USAC for services provided. Specifically, the Service Provider provided the Beneficiary with Internet access services under multiple FRNs. In response to our audit inquiries, the Service Provider reconciled its SPIs and determined that it erroneously invoiced these services under the wrong FRNs, resulting in the following (over)/under-invoiced amounts:

FRN	Amount (Over)/Under Invoiced
1999050286	\$(135,794)
1999078196	\$(1,850)
1999078197	\$(7,400)
1999078198	\$(8,550)
1999078202	\$(40,700)
1999078203	\$(38,850)
Total Over-Invoiced	<u>(\$233,144)</u>
1999058083	\$189,100
1999019281	\$19,575
1999020060	\$24,469
Total Under-Invoiced	<u>\$233,144</u>

Cause

During FY 2019, the Service Provider provided the Beneficiary with multiple circuits for which the Service Provider was in the process of transitioning to a new contract. Because the prior contract (dated 2014) specified that the minimum term for each circuit was 60 months from the date of installation, each circuit had its own individual contract end date. The Beneficiary stated that it believes the Service Provider struggled with adjusting its SPI invoicing process to accommodate this transition and did not perform a reconciliation to verify the monthly billings for the various FRNs associated with the circuits.

Effect

The monetary effect for this finding is \$160,566 (\$233,144 multiplied by the Beneficiary's 68.87 percent discount rate), which represents the total discounted costs that the E-Rate program disbursed for the over-invoiced FRNs. Because the Service Provider has already refunded USAC for this amount, we are not recommending recovery for this finding.

Recommendation

We recommend that the Service Provider implement controls and procedures to ensure that it accurately invoices USAC.

Service Provider Response

In 2019, a portion of the Beneficiary's services were transitioning to a new contract. The Beneficiary submitted a single funding request for a 2014 contract under FRN 1999050286. However, during USAC's Program Integrity Assurance Review of FRN 1999050286, USAC asked the Beneficiary for the expiration date, by circuit, for each of the circuits listed on the funding request as each circuit had a 60-month term established by its installation date. Although the 2014 contract was in effect for the entire 2019 funding year, USAC then created eight additional funding requests to separate out groups of circuits associated with their individual 60-month termination dates. USAC issued the funding commitment decision letter on December 19, 2019 with the now nine funding requests, instead of the original one. As these are middle mile circuits on the statewide network, it was difficult to determine, on reviewing the funding commitment decision letter, which circuits were associated with which funding request which led to invoices being submitted to USAC under FRN 1999050286 that should have been invoiced on one of the other approved FRNs.

It is important to note that the last date to invoice on these funding requests was June 25, 2021, and the issue was remedied before the last date to invoice. Ultimately, the Beneficiary received the correct E-rate amount on eligible services and USAC was not over-invoiced in total. Rather, there was a reconciliation of the services received among the nine funding requests and a true-up that was necessary due to the transitioning contract, resulting in funds being returned under FRN 1999050286 and invoicing to occur on the other approved FRNs. Due to this true-up process within the allowable invoicing period, there was ultimately no violation of program rules.

We have implemented additional controls and procedures to ensure accurate invoices to USAC. As a result of this issue, we request a detailed list from the Beneficiary of each circuit and the corresponding FRNs that should be billed. Due to the volume of circuits provided to said Beneficiary, this is the easiest and most accurate way to ensure the billing is processed according to the submitted FRNs. The Beneficiary has agreed to work with CVIN on strengthening communications and its own internal controls to ensure services are invoiced on the correct FRNs.

Auditor Response

USAC's records show that the Service Provider repaid USAC on June 21, 2021 – several weeks after our May 25, 2021 request to the Beneficiary for a reconciliation of service provider bills to invoices submitted to USAC for this FRN. It is not apparent that the Service Provider would

have detected and corrected its invoicing errors if we hadn't requested the information. We made no changes to our finding.

Finding No. 2, 47 C.F.R. § 54.507(d) (2018) – Service Provider Invoiced the E-Rate Program for Services Delivered Outside of the FY

Condition

One of the Beneficiary's Service Providers, AT&T, (Service Provider) invoiced USAC for Internet access services delivered outside of the FY. Specifically, FY 2019 ended on June 30, 2020. However, we reviewed the billing detail for FRN 1999007727 and noted that in September 2020, the Service Provider invoiced USAC a total of \$203,646. Only \$20,003 of this amount related to services rendered in FY 2019. The remaining \$183,643 included: 1) a \$36,794 charge that was dated July 21, 2020, and labeled "Refund of Credit," which was not related to any credits applied to FY 2019 SPIs, and 2) an erroneous \$146,849 charge dated July 25, 2020, which the Service Provider attributed to a system error.

Cause

The Service Provider agreed that it had over-invoiced USAC for the out-of-period billings but was unable to explain how the issue occurred.

Effect

The Service Provider over-invoiced USAC by \$146,914 (\$183,643 multiplied by the Beneficiary's 80 percent discount rate). However, USAC only disbursed \$64,256 of this amount because the invoice exceeded the FRN commitment ceiling. The monetary effect of this finding is therefore \$64,256.

FRN	Support Type	Monetary Effect	Recommended Recovery
1999007727	Internet Access	\$64,256	\$64,256

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement controls to ensure that it only invoices the E-Rate program for eligible costs incurred within the funding year.

Service Provider Response

Regarding services delivered in July, Aug & Sept 2020. The 6/25/2020 bill which is for FY2019 considers charges billed from 6/25/2020 - 7/24/2020.

USAC had previously agreed that an approach which considered 12 month of billing (Bills from July through June) within a Fund Year was an acceptable means of applying discounts, rather than having to utilize 14 months of billing where charges are included on the front and the back end of the fund year depending on the customer Bill Date.

The July, Aug & Sep 2020 bills have prorated charges attributable to 7/1/2020 - 9/24/2020. A portion of these charges are associated to 7/1/2020-7/24/2020 which aligned to the 6/25/2020 bill.

Regarding the monetary effect:

AT&T does not agree with the recovery amount requested of \$80,258, however AT&T does agree that there is a repayment due to USAC. The differs [sic] from the finding for reasons below:

- 1. The Last Date to Invoice (LDTI) related to this FRN was 1/28/2022, and was still active at the time of the Beneficiary audit was [sic] conducted.*
- 2. AT&T had reassessed the E-rate discounts for Billing Account number 073082301301 due to a debit of \$146,849.32 related to the reversal of a refund check which had been sent to CENIC in error. The result was that E-rate calculations were inadvertently posted for the amount of \$67,362.01 which were applied on multiple bills for BAN 073082301301.*
- 3. AT&T then reversed the inadvertent E-rate discount provided in the amount of \$67,362.01 on the 10/25/2021 bill which resulted in additional available Cap for FRN 1999007727.*
- 4. Because the FRN was still active and CAP was made available, AT&T identified additional eligible charges billed within the 2019 funding year that had not been previously discounted and applied the approved FRN %, resulting in E-rate discounts in the amount of \$7,445.48 .
* 0730822301301 (\$7,445.48 posted on 1/27/2022 will appear on 2/25/2022 invoice)*

AT&T will remit the difference to USAC following the Returning Funds to USAC - Universal Service Administrative Company process.

Auditor Response

Because AT&T did not provide documentation to support its calculation of the repayment due to USAC, we were unable to verify the accuracy of this amount. However, we reviewed the billing detail for amounts billed after the funding year-end and noted that \$20,003 of these charges related to services rendered in FY 2019. We adjusted the monetary effect and recommended recovery amounts to \$64,256 which excludes the \$20,003 in eligible billings.

Finding No. 3, FCC Form 473, SPAC Form, at Block 2 (2019); FCC Form 474, SPI Form, at Block 3 (2019) – Service Provider Invoiced the E-Rate Program for Services Not Requested

Condition

CVIN LLC (Service Provider) invoiced USAC for Internet access services that the Beneficiary did not request. Specifically, the Service Provider's SPIs for FRN 1999050286 included \$6,797 for June 2020 services to circuits at two locations for which the service contract had expired on May 31, 2020. The Beneficiary's Form 471 only requested funding for these services through May 2020.

Cause

The Beneficiary stated that it believes the Service Provider struggled with adjusting its SPI invoicing process to accommodate transitions between contracts and did not perform a reconciliation to verify the monthly billings.

Effect

The monetary effect for this finding is \$4,681 (\$6,797 multiplied by the Beneficiary's 68.87 percent discount rate), which represents the total discounted costs that the E-Rate program disbursed for the ineligible services. Because the Service Provider has already refunded USAC for this amount, we are not recommending recovery for this finding.

Recommendation

We recommend that the Service Provider implement controls and procedures to ensure that it accurately invoices USAC.

Service Provider Response

This is similar to the events referenced above. It was a 1-month error that was corrected. It is important to note that the last date to invoice on these funding requests was June 25, 2021, and the issue was remedied before the last date to invoice. Ultimately, the Beneficiary received the correct E-rate amount on eligible services and USAC was not over-invoiced in total.

We have implemented additional controls and procedures to ensure accurate invoices to USAC. As a result of this issue, we request a detailed list from the Beneficiary of each circuit and the corresponding FRNs that should be billed. Due to the volume of circuits provided to said Beneficiary, this is the easiest and most accurate way to ensure the billing is processed according to the submitted FRNs. The Beneficiary has agreed to work with CVIN on strengthening communications and its own internal controls to ensure services are invoiced on the correct FRNs.

Auditor Response

USAC's records show that the Service Provider repaid USAC on June 21, 2021 – several weeks after our May 25, 2021 request to the Beneficiary for a reconciliation of service provider bills to invoices submitted to USAC for this FRN. It is not apparent that the Service Provider would have detected and corrected its invoicing errors if we had not requested the information. We made no changes to our finding.

Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, Para. 235 – Service Providers Billed the Beneficiary for the Discounted Share of Costs While Using the SPI Method**Condition**

We obtained and examined the Beneficiary's selected Service Provider bills to determine whether the Service Providers only billed the Beneficiary for the non-discounted portion of costs on the bills, plus the costs of any ineligible equipment and/or services. Specifically, for FY 2019,

the Beneficiary elected to receive E-Rate reimbursement from USAC for the following FRNs using the Service Provider Invoice (SPI) method³ at the following discount rates:

FRN	Service Provider	Discount Rate
1999007512	Charter Communications Operating, LLC, doing business as (DBA) Spectrum	88%
1999007727	AT&T	80%
1999022187	Charter Communications Operating, LLC, DBA Spectrum	74%

Under the SPI method, service providers bill beneficiaries for only the non-discounted share of costs for eligible equipment and services (and the costs for any ineligible equipment and services), and invoice USAC for the remaining discounted share of the costs for eligible equipment and services. Thus, under the SPI method, beneficiaries are responsible for paying service providers only for the non-discounted share of costs (plus the costs of any ineligible equipment and services), and the service provider is required to invoice USAC for the discounted share of costs of eligible equipment and services in order to receive payment.⁴ However, in FY 2019, these Service Providers instead billed the Beneficiary for the *full pre-discount costs* of the eligible equipment and/or services for the FRNs listed in the table above, rather than only the Beneficiary's non-discounted share of the costs (plus the costs of any ineligible equipment and services). After the Service Providers received reimbursement for the discounted share of the costs from USAC, they posted a credit for the same amount to the Beneficiary's accounts to be applied to future billing periods.

Cause

The Service Providers did not have adequate policies and procedures in place to ensure that they obtained and processed the information necessary to calculate discounts on a timely basis.

Specifically:

- Charter Communications Operating, LLC, DBA Spectrum: Spectrum noted that after it receives the completed Form 486, it performs a full compliance review of the Beneficiary's accounts before it applies discounts. For FRN 1999007512 and 1999022187, Spectrum noted that these compliance reviews took more than four months.
- AT&T: AT&T's policy requires that beneficiaries complete a Grid document with the details of the E-Rate funding for each FRN before it applies discounts on the applicable bills. As the Beneficiary did not submit the FRN 1999007727 information to AT&T until June 2020, discounts were not applied until that time.

³ See *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, para. 234-235 (2014) (*First 2014 E-Rate Order*). See also *Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, at para. 586 (1997); *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 03-101, paras. 44, 46-47 (2003) (*Second Report and Order*); 47 CFR 54.514(c) (2018); 47 C.F.R. § 54.504(f)(5) (2018) and SPI Form, FCC Form 474, Block 3 (2018).

⁴ *Id.*

Effect

As a result of the above-described improper use of the SPI method, the Service Provider charged and collected more than the Beneficiary's non-discounted portion of costs of the eligible equipment and services during the period at issue. However, there is no monetary effect since the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. We note that, by selecting the SPI reimbursement method, the Beneficiary was only required to pay the Service Provider the non-discounted portion of the costs of the eligible equipment and services. Requiring that the Beneficiary pay the full pre-discount costs and wait for reimbursement of the discounted portion of the costs in the form of a credit on subsequent bills is inconsistent with E-Rate program rules.⁵ In addition, requiring beneficiaries to pay the full pre-discount costs could create serious cash flow problems and could disproportionately affect the most disadvantaged schools and libraries.⁶

Recommendation

We recommend that the Service Providers implement policies, controls, and procedures to obtain and process FRN funding details so that they can apply billing discounts on a timely basis and ensure that beneficiaries who select the SPI invoicing method are billed only for the non-discounted share of costs for the eligible equipment and services (plus the cost of any ineligible equipment and services). The Service Providers should familiarize themselves with the FCC Rules related to invoicing at <https://www.usac.org/e-rate/service-providers/step-5-invoicing/>. Additionally, the Service Providers can learn more about E-Rate program training opportunities on USAC's website at <https://www.usac.org/e-rate/trainings/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>.

Service Provider Responses

Charter Communications Operating, LLC, (DBA) Spectrum:

Upon the designation of the SPI invoicing method, Charter Communications encourages the Applicant to short pay their invoice by the amount of their anticipated E-rate SPI Discounts. Charter makes this recommendation in its correspondence with the E-rate customers upon their election of the SPI invoicing method, as well as in its description of the SPI process on its public website. See <https://enterprise.spectrum.com/services/industries/k-12/erate-e-rate-program.html>:

⁵ See *First 2014 E-Rate Order*, FCC 14-99, at para. 235; *Second Report and Order*, FCC 03-101, at paras. 46-47 and *First Universal Service Order*, FCC 97-157, para. 586.

⁶ See *Second Report and Order*, FCC 03-101, at para. 47.

SPI process 1. Complete the Spectrum Enterprise discount election form below and email it to our E-rate/CTF invoicing organization at DLGSPDept@charter.com. SPI BEAR Discount Election Form CHTR.pdf 2. You will receive a case number for tracking purposes and will be contacted by our invoicing organization within one week. 3. Discounts will be applied retroactively, backdated to your July invoice, and will be reflected in the following invoice once the Funding Commitment Decision Letter (FCDL) has been completed by USAC and FCC Form 486 has been certified for each Funding Request Number (FRN). 4. Per FCC order 97-157, you are required to pay the undiscounted portion (charges after E-rate discounts) to your service provider in order to qualify for the SPI method. You are welcome to pay your invoice based on your projected discounts until USAC completes the FCDL.	
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Despite this recommendation, CENIC paid the entire amount of the new charges each month. The attached Excel file summarizes the amounts due and credits applied each month during the funding years for each FRN. Also attached are excerpts of customer invoices, which show that Charter Communications applied credits each month on CENIC's invoices and indicated that no payment was due.

Charter Communication's acceptance of short payment is an effort to minimize the impacts delayed FCDL funding commitments may have on Applicants as Charter Communications monitors the FCDL status and FCC Form 486 Certification prior to the physical application of SPI Discounts. CENIC FY2019 FRNs 1999022187 and 1999007512 had an FCDL Dates of 01/02/2020 and 01/16/2020 and FCC Form 486 Certification Dates of 01/16/2020 and 01/23/2020 respectively. Upon receipt of the FCDL and FCC Form 486 Certification, Charter Communications performs a full compliance review and begins to apply SPI Discounts. Given the complexity and large number of locations associated with the CENIC account, this compliance review can take several weeks. SPI Discounts were finalized and retroactively applied under CENIC FRNs 1999022187 and 1999007512 on 05/27/2020 and 06/18/2020. An email is then sent to the Applicant to document and itemize the SPI Discounts provided as well as the ending balance on the Account. Charter's GSP Department request remittance information to process a subscriber refund should the Applicant have paid a greater amount than their post-discount share throughout the funding year. Once the discounts are present on the Applicants [sic] account the GSP Department submits the FCC Form 474 to seek reimbursement. FRN 1999022187 and 1999007512 were included on Service Provider Invoice number CHR-FY2019-5 submitted on 06/22/2022 which received a disbursement from USAC on 06/26/2020.

Account Name	CENIC
Account Number	8448208990024079
FRN	1999022187

Month	Bill Print Date	Previous Balance	Payment Received	Refund Adjustment	SPI Discounts	Charter Notes	Current Charges	Ending Balance
Jun-19	6/15/2019	\$ (20,042.14)	\$ (35,519.64)				\$ 35,140.52	\$ (20,421.26)
Jul-19	7/15/2019	\$ (20,421.26)	\$ (35,140.52)				\$ 35,420.17	\$ (20,141.61)
Aug-19	8/15/2019	\$ (20,141.61)	\$ (35,420.17)		\$ (246,246.07)	FY2018 SPI	\$ 35,164.74	\$ (266,643.11)
Sep-19	9/15/2019	\$ (266,643.11)					\$ 17,983.60	\$ (248,659.51)
Oct-19	10/15/2019	\$ (248,659.51)	\$ (69,863.30)		\$ (43,136.92)	FY2018 ERATE, CTF DISCOUNTS	\$ 34,935.58	\$ (328,724.15)
Nov-19	11/15/2019	\$ (328,724.15)		\$ 150,000.00			\$ 33,866.05	\$ (144,858.10)
Dec-19	12/25/2019	\$ (144,858.10)	\$ (69,238.73)	\$ 156,665.04			\$ 27,301.93	\$ (30,129.86)
Jan-20	1/25/2020	\$ (30,129.86)	\$ (27,301.93)				\$ 30,010.31	\$ (27,421.48)
Feb-20	2/25/2020	\$ (27,421.48)	\$ (9,933.41)				\$ 30,010.31	\$ (7,344.58)
Mar-20	3/25/2020	\$ (7,344.58)	\$ (30,010.31)				\$ 27,410.87	\$ (9,944.02)
Apr-20	4/25/2020	\$ (9,944.02)					\$ 21,519.18	\$ 11,575.16
May-20	5/25/2020	\$ 11,575.16	\$ (27,410.87)			CTF discounts	\$ 25,575.18	\$ 9,739.47
Jun-20	6/25/2020	\$ 9,739.47	\$ (52,062.96)		\$ (187,627.73)	FY2019 ERATE	\$ 24,814.13	\$ (205,137.09)
Jul-20	7/25/2020	\$ (205,137.09)					\$ 25,820.02	\$ (179,317.07)

Account Name	CENIC
Account Number	82717301
FRN	1999007512

Month	Bill Print Date	Previous Balance	Payment Received	Refund Adjustment	SPI Discounts	Charter Notes	Current Charges	Ending Balance
Jun-19	6/1/2019	\$ 65,693.83	\$ (58,554.33)				\$ 50,911.63	\$ 58,051.13
Jul-19	7/1/2019	\$ 58,051.13					\$ 54,798.43	\$ 112,849.56
Aug-19	8/1/2019	\$ 112,849.56	\$ (58,051.13)				\$ 55,138.70	\$ 109,937.13
Sep-19	9/1/2019	\$ 109,937.13	\$ (54,798.43)		\$ (187,317.52)	2018 SPI	\$ 55,217.54	\$ (76,941.28)
Oct-19	10/1/2019	\$ (76,941.28)	\$ (55,138.70)		\$ (8,012.13)	2018 ERATE, CTF DISCOUNTS	\$ 59,150.55	\$ (80,961.56)
Nov-19	11/1/2019	\$ (80,961.56)					\$ 58,614.75	\$ (22,346.81)
Dec-19	12/1/2019	\$ (22,346.81)	\$ (48,341.50)				\$ 57,993.33	\$ (12,694.98)
Jan-20	1/1/2020	\$ (12,694.98)					\$ 62,958.29	\$ 50,263.31
Feb-20	2/1/2020	\$ 50,263.31	\$ (176,227.60)				\$ 63,424.44	\$ (60,539.85)
Mar-20	3/1/2020	\$ (60,539.85)	\$ (62,958.29)				\$ 71,389.74	\$ (52,108.40)
Apr-20	4/1/2020	\$ (52,108.40)					\$ 80,466.75	\$ 28,358.35
May-20	5/1/2020	\$ 28,358.35	\$ (217,280.93)		\$ (11,299.16)	CTF Discounts	\$ 55,753.39	\$ (144,468.35)
Jun-20	6/1/2020	\$ (144,468.35)					\$ 227,664.27	\$ 83,195.92
Jul-20	7/1/2020	\$ 83,195.92			\$ (476,101.33)	FY2019 ERATE AND CTF DISCOUNTS	\$ 64,278.38	\$ (328,627.03)

AT&T Response:

AT&T asserts that these Criteria do not support the audit findings. Since the Modernization Order cited here was released in 2014, AT&T has not been aware of any interpretation of that Order which would affect the way it handles SPI billing with its customers – until now. In fact, based on research done related to a similar finding for LAUSD (FRN: 1999054400) between September 2020 and now, USAC has reviewed 389 invoice line items submitted via the SPI method for the AT&T Corp. SPIN, and in none of those reviews has USAC made any finding like the one that is being made now. Clearly, we are surprised to learn of this interpretation by USAC now.

Finding	Criteria	Description	AT&T Notes
1	E-Rate Modernization Order (FCC 14-99), at para.235	Thus, when the applicant pays only the discounted cost of the services directly to the service provider through the SPI process, the service provider will continue to file a SPI form with USAC to receive reimbursement.	For context, Para. 235 of the E-rate Modernization order is part of Section C, “Simplifying the Invoicing and Disbursement Processes”. This section was focused on – and addressed only the removal of service providers who would no longer serve as a

<i>Finding</i>	<i>Criteria</i>	<i>Description</i>	<i>AT&T Notes</i>
			pass-through for payment and would no longer be required to approve Form 472s. There was no indication of a change to the existing SPI methodology that the parties employ, either in the changes noted in Appendix A (later incorporated into the C.F.R.) nor in the guidance and training put out by USAC following the release of the order. Processes followed by AT&T here resulted in the applicant (CENIC) paying only the non-discounted cost for the eligible services on which discounts were provided and submitted by AT&T via the Form 474 SPI process.

AT&T takes issue with the statements in this finding because they suggest that AT&T may have overcharged CENIC or that CENIC was at risk of paying more than its non-discounted share. AT&T did not overcharge CENIC, and CENIC was not at risk for paying more than its non-discounted share of the costs for eligible services. Initially – and as per longstanding procedures that USAC is aware of – AT&T charged CENIC for the total cost of the services provided under FRN: 199990007727 each month. But once USAC approved the funding and CENIC took all the necessary steps to receive the discounts, including but not limited to submitting the Form 486 to USAC and completing and submitting the AT&T Grid document to AT&T⁷, AT&T applied the discounts to CENIC’s invoice.

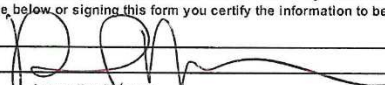
AT&T is not alone in handling the SPI method of billing this way. Like most other Service Providers, AT&T does not reflect discounts on the customers’ bills until after the funding has been approved and the necessary steps outlined above have been taken by the Applicant. At that time, AT&T calculates the applicable discounts back to the Form 486 effective date per the Form 486 Notification Letter received from USAC. AT&T refers to these initial discounts reflected on

⁷ The AT&T Grid document is a document that applicants must complete for AT&T to provide the details of the Applicant’s E-rate funding, such as, the Billing Account Numbers which bill for the services that should be discounted, and the applicable discount percentage based on cost allocation required. AT&T cannot apply E-rate discounts on bills until the customer verifies the details of their funding approval by submitting the Grid. This process is critical to ensure the discounts are applied to the service for which the applicants was approved. The instructions for completing the Grid are typically contained an email AT&T sends to customers upon notification of funding, known as the Welcome Package. In the case of CENIC, AT&T held calls with CENIC as is their preference. (See CENIC’s returned Grid Certification in Attachments below).

the invoice as the “retroactive period”. Subsequently, discounts will apply monthly on a going forward basis until the Contract Expiration date or until the end of the funding year.

In this instance with CENIC, the reason the discounts may have been applied later in time than they otherwise might have been is due to the following circumstances. First, FRN: 199990007727 was not approved by USAC until 12/27/2019, which was 6 months after the funding year began. At some point CENIC filed a Form 486, as required by the E-rate rules, for which AT&T did not receive the 486 Notification from USAC until 1/19/2020. AT&T requires its SPI customers to complete a “Grid” document and certify to AT&T that the information in the “Grid” is accurate. CENIC did not complete the Grid information until 6/12/2020. (See Attachment: CENIC Signed Cert 6.12.20 below)⁸. Once received, AT&T calculated and provided the requisite discounts to CENIC prior to submitting the first Form 474 SPI to USAC in July of 2020.

⁸ The attachments referred to in AT&T’s response are included as Attachment 1 to this report.

CERTIFICATION			
E-rate Year 2019 (YR 22)			
(July 1, 2019 through June 30, 2020)			
Service Provider:	AT&T California (Pacific Bell Telephone Company)		
SPIN:	143002665		
1. Billed Entity Name:	CENIC-CORPORATION FOR EDUCATION NETWORK INITIATIVES IN CALIFORNIA		
2. Contact Name:	Paul Nguyen		
3. Contact Title:	Accounting Manager		
4. Contact Number:	714-220-3488		
5. Contact Email:	Pnguyen@cenic.org		
Funding Information			
REMINDER: AT&T CANNOT ACCEPT YOUR REQUEST FOR DISCOUNTS VIA THE SPI METHOD AFTER JUNE 30TH FOR FRN's WITH THE STANDARD LAST DATE TO INVOICE (L.D.T.I.) (TYPICALLY: OCTOBER 28th). IF YOUR FRN HAS AN EXTENDED L.D.T.I., YOUR REQUEST FOR SPI DISCOUNTS MUST BE RECEIVED 120 DAYS PRIOR TO THE LAST DATE TO INVOICE. ANY REQUEST RECEIVED AFTER THIS DATE WILL NOT BE PROCESSED AND THE BEAR METHOD MUST BE USED. Please be aware that eligibility to receive discounts under the State of California Discount program (California Teleconnect Fund), as described in CPUC Resolution T-16763, is conditioned on utilizing the SPI Discount Method of E-Rate disbursement. (Use additional pages if needed).			
6. List ALL FRN's below for which you authorize AT&T to provide SPI discounts detailed on your Existing Services List - Grid. DO NOT INCLUDE FRN's FOR WHICH YOU WILL FILE A BEAR.			
FRN(s)			(Input Yes ONLY if FRN is usage only)
1999003270	1999007036	1999022640	
1999003316	1999007474	1999022667	
1999003317	1999007501	1999022683	
1999005515	1999007578	1999022749	
1999005520	1999007585	1999025269	
1999006097	1999007592	1999025280	
1999006222	1999007603	1999030251	
1999006290	1999007608	1999030255	
1999006300	1999007625	1999036778	
1999006311	1999007652	1999040419	
1999006318	1999007666	1999050182	
1999006329	1999007727	1999050516	
1999006336	1999007766	1999050530	
1999006338	1999019265	1999050536	
1999006346	1999019282	1999050794	
1999007024	1999019788	1999057747	
1999007029	1999019861	1999058029	
1999007035	1999020058	1999060740	
	1999020224		
7. I certify that I have read the email and instructions provided by AT&T California regarding the Existing Service List and have added ALL Services that are eligible for E-Rate, as well as removed ALL Services that are not eligible, and I have made all required cost allocations per the instructions. The FRN's and Eligibility percentages assigned to each Billing Account Number are true and correct, and properly reflect the approved funding for the relevant FRNs. I further understand that we are responsible for contacting AT&T to notify them of any qualified services installed after the funding year to obtain discounts on those services. I understand that AT&T will debit my accounts for the sum of any E-Rate discounts given based on the information provided herein, which are subsequently deemed ineligible by the Universal Service Administrator. I certify that I am authorized to make these certifications for the Billed Entity associated with the FRNs listed. By inputting your name below or signing this form you certify the information to be accurate.			
8. Signature: 			
9. Title: Accounting Manager		10. Date: 6/10/20	
Please send this certified and completed form via email to: FUSFCenter@att.com			
Please scan the form as .pdf file if a written signature is provided			
If you would like on-line assistance in completing this form or your Service List please contact us and our Representatives will gladly answer any questions you may have.			
Thank you for choosing AT&T California (Pacific Bell Telephone Company) as your E-Rate provider.			

The bottom line is that, AT&T, like other Service Providers, would not and should not have to cover CENIC's or any customer's service expenses by applying earlier discounts for the non-discounted share (i.e. "float" the customer) before the customer's funding was approved by USAC and the other necessary steps (including the submission of the Grid document) were taken. Indeed, it is not possible for a Service Provider to provide discounts for services at the time of commencement of services because the Service Provider does not even know at that time what services are eligible for discounts. Put differently, AT&T could not have applied discounts to services in July because AT&T would not have known in July exactly what services needed to be discounted. AT&T's process requires applicants to identify the discounted services. Subsequently, AT&T reimburses applicants after they provide AT&T the information.

Finally, it should be noted that there was no actual harm in this situation because CENIC was ultimately only responsible to pay their undiscounted share of the eligible services for which it received discounts as well as any ineligible services billed on the same billing account numbers. The Effect section states that "Beneficiary is at risk of paying more than its non-discounted share of the costs for eligible services. In addition, the Beneficiary may experience cash flow issues if the Service Provider does not invoice USAC and credit the Beneficiary's bills on a timely basis."

First, to be clear, AT&T did not overbill CENIC for the discount portion of the cost of services. Moreover, the comments about the Beneficiary being at risk of paying more than its non-discounted share or that the Beneficiary may experience cash flow issues are speculative comments and not based in fact. The E-rate rules do not dictate how a school or library elects to pay the bills rendered by the Service Providers. Under the rules, schools and libraries are required to have the necessary resources at the time of filing the FCC Form 471, and they must pay their non-discounted share. See 47 C.F.R. § 54.504.⁹

It has been the experience of AT&T that CENIC sometimes elects to pay their bills in full, even after discounts have been applied, resulting in a payment overage which is reflected on the bills as a credit balance. CENIC will then request a refund for the overpayments it chose to make. Why CENIC chooses to behave this way is unknown to AT&T, but we suspect it is because CENIC likes to receive one large check toward the end of the funding year akin to receiving a BEAR payment if filed only once at the end of the year.

⁹ 47 C.F.R. § 54.504 Requests for services. (a) 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. (1) The FCC Form 471 shall be signed by the person authorized to order eligible services for the eligible school, library, or consortium and shall include that person's certification under oath that: ... (iii) The entities listed on the FCC Form 471 application have secured access to all of the resources, including computers, training, software, maintenance, internal connections, and electrical connections, necessary to make effective use of the services purchased. The entities listed on the FCC Form 471 will pay the discounted charges for eligible services from funds to which access has been secured in the current funding year or, for entities that will make installment payments, they will ensure that they are able to make all required installment payments. The billed entity will pay the non-discount portion of the cost of the goods and services to the service provider(s).

But CENIC cannot and would not choose the BEAR method because it would forfeit funds that it is eligible for under the California Teleconnect Fund (CTF) program.¹⁰ Under this program, schools and libraries in California can receive additional funding for their services directly from the State. The CTF Program requires that participants who qualify for E-rate utilize the SPI method for their E-rate funding in order to receive the CTF discounts. CENIC participates in the CTF program, and therefore it does not use the BEAR method invoicing, which they would seem to prefer. CENIC's inability to use the BEAR method may be a driving factor on CENIC's decision to procrastinate in completing all the necessary steps to receive discounts on their bills earlier in the Funding Year since by doing so they would – in effect – be using the BEAR method. Indeed, there is no rule to restrict Beneficiaries from this practice of paying more than is currently owed or delaying the submission of required documents.

The Recommendations section states that “We recommend that the service providers implement controls and procedures to ensure it only bills the Beneficiary for the non-discounted share of costs for services reimbursed under the SPI method.”

First, AT&T does have controls and procedures to ensure that the Beneficiary is billed properly for their non-discounted share of eligible services by actually providing appropriate discounts to its bills for the approved eligible services – once all the necessary requirements have been met. Furthermore, there are no requirements within the E-Rate program rules for Service Providers to initially bill only the discount portion before funding is approved. As was the case here, there are occasions when the Beneficiary's funding has not been granted prior to the beginning of the Funding Year. Certainly, the program rules do not mandate that AT&T must “float” a Beneficiary until funding is approved since funding may never be approved. Additionally, there are other required steps that both the Applicant and USAC must take prior to the invoicing process commencing, which are necessary in order for the discounts to be accurate (e.g., filing a Form 486, and submitting the Grid document). See pages 3-6 of Attachment: 4.7.14 CC Docket No. 13-184 ATT Comments below. It is therefore unreasonable to conclude that a Service Provider has somehow violated the program rules by waiting for these other steps to be completed.

Auditor Response

FCC Rules do not explicitly require service providers to apply E-Rate discounts to all billings under the SPI method of reimbursement. However, FCC rules do note that beneficiaries are only responsible for paying the non-discount share of service costs if the SPI method is chosen. As each Service Providers practices of billing beneficiaries for the full cost of services is inconsistent with FCC Rules, our position regarding this other matter has not changed.

However, based on the Service Providers' responses, we made the following changes to the Other Matter:

¹⁰ See <https://www.cpuc.ca.gov/ctf>. In California, the State has a program known as the California Teleconnect Fund (CTF) which provides additional discounts (50% for Schools and Libraries) for a Beneficiary's portion of eligible charges after E-rate discounts have been applied. The SPI method is required to receive these additional funds.

1. We modified the cause to indicate why each Service Provider did not apply the discounts on a timely basis.
2. We modified the recommendation to address the need for the Service Providers to implement controls and procedures for obtaining and processing FRN funding details on a timely basis.

Criteria

Finding	Criteria	Description
1, 3	FCC Form 473, Service Provider Annual Certification (SPAC) Form, OMB 3060-0856, at Block 2 (2019)	<i>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> <i>I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i> <i>I certify that the bills or invoices submitted by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the Service Provider.</i>
1, 3	FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2019)	<i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i> <i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i>

Finding	Criteria	Description
2	47 C.F.R. § 54.507(d)(1) (2018)	<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>

Other Matter	Criteria	Description
1	<i>Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 235 (2014) (First 2014 E-Rate Order)</i>	<i>We take this opportunity to reiterate that E-Rate applicants continue to have the option of electing BEAR or SPI reimbursement. Thus, when the applicant pays only the discounted cost of the services directly to the service provider through the SPI process, the service provider will continue to file a SPI form with USAC to receive reimbursement.</i>
1	<i>Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 234, n.567 (2014) (First 2014 E-Rate Order)</i>	<i>Applicants also have the option of using the Service Provider Invoicing (SPI) process. Under the SPI process the applicant pays only the reduced cost of the services directly to the service provider, and then the service provider must file an FCC Form 47[4] (SPI Form) with USAC to receive its reimbursement.</i>
1	<i>Federal-State Joint Board on Universal Service, CC Docket No. 96-</i>	<i>We conclude that requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.</i>

Other Matter	Criteria	Description
	45, Report and Order, FCC 97-157, para. 586 (1997)	
1	<i>Schools and Libraries Universal Service Support Mechanism</i> , CC Docket No. 02-6, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 03-101, paras. 44, 46-47 (2003)	<i>We first conclude that we should adopt a rule requiring service providers to give applicants the choice each funding year either to pay the discounted price or to pay the full price and then receive reimbursement through the BEAR process. . . . We find that providing applicants with the right to choose [their] payment method is consistent with section 254. Although section 254(h)(1)(B) requires that telecommunications carriers providing discounted service be permitted to choose the method by which they receive reimbursement for the discounts that they provide to schools and libraries, i.e., between receiving either a reimbursement for the discount or an off-set against their obligations to contribute to the universal service fund, the statute does not require that they be permitted to choose the method by which they provide those discounts to the school or library in the first place.</i> <i>In addition, we find that providing applicants with the right to choose which payment method to use will help to ensure that all schools and libraries have affordable access to telecommunications and Internet access services. The Commission previously noted in the Universal Service Order that “requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.” In light of the record before us, we conclude that the potential harm to schools and libraries from being required to make full payment upfront, if they are not prepared to, justifies giving applicants the choice of payment method.</i>
1	47 CFR 54.514(c) (2018)	<i>Choice of payment method. Service providers providing discounted services under this subpart in any funding year shall, prior to the submission of the FCC Form 471, permit the billed entity to choose the method of payment for the discounted services from those methods approved by the Administrator, including by making a full, undiscounted payment and receiving subsequent reimbursement of the discount amount from the Administrator.</i>
1	47 C.F.R. § 54.504(f)(5)	<i>The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the</i>

Other Matter	Criteria	Description
	(2018)	<i>billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i>
1	Service Provider Invoice (SPI) Form, FCC Form 474, Block 3 (2018)	<i>Item A - I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i>

Sikich CPA LLC

Attachment 1 (Documents included in AT&T Response to Other Matter No. 1)

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of	)	
Modernizing the E-rate Program	)	CC Docket No. 13-184
For Schools and Libraries	)	
	)	

COMMENTS OF AT&T

AT&T provides the following comments in response to the Commission's recent Public Notice in the above-captioned docket.¹

I. The Commission Should Prioritize Funding for Broadband Deployment and Internal Connections that Support Broadband Connectivity.

AT&T agrees that the Commission should modernize the E-rate program to help ensure that our nation's students and communities have ubiquitous access to high-speed broadband connections. To that end, the Commission should prioritize funding for high speed broadband and the internal connections to schools and libraries that, to-date, have inadequate (or no) broadband connectivity or insufficient internal connections networks. AT&T agrees that the additional \$2 billion proposed in the *Public Notice* should be used for these purposes and would be a catalyst to transition E-rate from a telecommunications and Internet program to a broadband program.

As AT&T stated in its initial Comments, the Commission could prioritize funding for schools and libraries with inadequate broadband by creating a fund that operates outside of the existing discount hierarchy to provide such schools and libraries with an express lane to the

¹ *Wireline Competition Bureau Seeks Focused Comment on E-rate Modernization*, WC Docket 13-184, DA 14-308, released March 6, 2014 ("Public Notice").

funds necessary to acquire broadband services.² By creating a separate fund for infrastructure deployment, the FCC could ensure that schools and libraries that currently are unserved or underserved by broadband have the necessary funding to acquire broadband services.

Furthermore, as AT&T stated previously, whatever approach the Commission implements to prioritize broadband connectivity to schools and libraries, the program must be administered with technology neutral principles.³ The Public Notice seeks comment on the scope of services that should be funded to provide high speed broadband, both to and within schools and libraries, and goes so far as to request comment on what specific equipment is necessary to transmit broadband throughout buildings. The Commission's approach here is too narrow. Because of significant geographical and topographical diversity among the nation's schools and libraries, there is no one technological solution that will best meet the needs of all such institutions. Consequently, fiber, wireless LTE, hybrid copper/fiber, and satellite, should all be among the available technology platforms that are permitted to compete for schools and libraries' broadband connectivity requirements.

Several commenters suggest that wireless data should not be eligible based on their perception of current costs.⁴ However, this is not a sufficient basis to bar a viable service from competing with other platforms to achieve the program's broadband goals. Indeed, LTE service may provide the lowest-cost broadband solution for high cost areas and provides the additional benefit of positioning E-rate applicants for mobile learning applications. (*See* Section V below).

² *See* Comments of AT&T, filed in WC Docket No. 13-184 on September 16, 2013 at p. 4.

³ *Id.* at p. 4-5.

⁴ *See* E-rate Provider Services Comments filed in WC Docket 13-186 on September 16, 2013 at p. 7; *See generally*, Reply Comments Of The Fiber To The Home Council Americas, filed in WC Docket 13-186 on November 8, 2013.

Just as the Commission should allow market forces to dictate which technology represents the best solution for a given school or library, so, too, should it allow flexibility in the choice of equipment and software that can be used to deliver the broadband service throughout the campus or building(s). Here, again, the competitive bidding process will identify which equipment and software represent the best, most cost-effective solution for any particular school or library, and building flexibility into the process will enable schools and libraries to access the latest, most cutting edge technology solutions. In contrast, any list of Commission-approved equipment will be obsolete before the ink is dry on the order approving that list. To avoid this pitfall and to maximize the options available to schools and libraries, the Commission should establish standards that enable and facilitate the purchase of high-speed broadband both to and within schools and libraries, and allow the schools and libraries, using the applicable competitive bidding requirements, to select the most cost-effective solution from all of the available technologies and architectures.

II. The Commission Should Include All Aspects of the E-rate Process In Its Streamlining Review.

The Commission also seeks comment on how to minimize the administrative burdens and overhead associated with applying for and receiving funding. AT&T agrees that there are opportunities to streamline the administration of the E-rate program, e.g., eliminating service providers from the BEAR disbursement process as proposed in the NPRM. But the downstream processes that are essential for applicants receiving the benefit of the E-rate discount depend today on the availability of timely and accurate information. As a result, it is essential that, as the FCC reviews proposals to streamline the application process, it take into account the impact of those proposals on any downstream processes, and, in particular, on the information requirements for those processes.

The Commission must keep in mind that it takes far more than an Application and a Funding Commitment Decision Letter (FCDL) to make the E-rate program work. Both the invoicing and USAC's compliance processes are vital parts of the E-rate program, and the quality and efficiency of these processes are heavily dependent on the quality of information provided in the application process. Even today, much of the detailed information needed from the application process is frequently omitted by the applicants. For example the Service Provider Invoice (SPI) process, which includes not only invoicing USAC but also applying the E-rate discount on the service providers' bills, requires information that is requested on Item 21 of the Form 471, yet, applications are accepted and funding is approved without this necessary information. Other information, such as, billing account numbers, the Funding Request Numbers (FRNs) funded for each billing account number, and the discount percentages based on the eligibility of the services and/or locations, is likewise critical for the SPI process but is not even requested in the E-rate application process.⁵ Therefore, before discounts can be applied to bills, the service provider and applicants must undertake very time consuming and resource intensive verification processes, after the application is accepted and the FCDL is issued, to ensure that the service provider applies the correct discount and to ensure the discount is only applied to services included in the applicable FRN.⁶ While AT&T's SPI process ensures that AT&T applies the discounts correctly, the process often takes two to three months to complete, which delays the implementation of the discounts and the submission of the corresponding invoices to USAC.

⁵ Previous versions of the forms included information that helped facilitate these processes. For example, a previous version of the Form 470 included an Item 7 that required the applicant to provide the term requirements for the services being requested by indicating month-to-month, tariff, or multi-year.

⁶ See Attachment A – AT&T's E-rate Welcome package. AT&T requires applicants to complete these forms before AT&T implements the E-rate discount on its bills. Once complete, these spreadsheets can include hundreds of rows of information.

Some of the same information that is required for the SPI process, such as billing account numbers by FRN and discount calculation validation, is needed by USAC to complete its Program Integrity Assurance reviews, Payment Quality Assurance reviews or Beneficiary audits. AT&T is unable to respond to these requests on a timely basis (or at all), when applicants fail to provide the information in the SPI process or when applicants utilize the BEAR invoicing process (in which case, the Service Provider has no insight into the services or discount calculations that applicants may have used in their BEAR invoices). The requirement for these types of information must be addressed as the Commission considers any proposals to further streamline the program's processes.

III. The Commission Should Further Streamline The Funding Disbursement Process.

All the detailed information described above, and the effort and expense it takes to collect, verify, and audit the accuracy of that information, would not be necessary if E-rate funding was provided directly to schools and libraries rather than being funneled through service providers. The FCC has already proposed to send BEAR payments directly to applicants.⁷ It should take the next step and do the same with all E-rate funds and allow schools and libraries to use E-rate funds to pay their service providers directly.⁸

While putting a discount on a phone bill might have sounded simple and rationale in 1996, it is not at all simple when large schools districts are purchasing complicated multi-element services for numerous locations that generate bills hundreds of pages in length. The current SPI discounting structure imposes real costs on USAC as well as service providers.

⁷ See *Modernizing the E-rate Program for Schools and Libraries*, Notice of Proposed Rulemaking, WC Docket No. 13-184 (rel. July 23, 2013) at ¶ 259.

⁸ See Comments of AT&T at pp. 13-14.

Rather than hire more auditors to spend hours tracing the path of dollars and discounts from USAC to the applicant via the labyrinth of service provider bills and back again, the FCC could improve program compliance, significantly streamline the disbursement process and save money by taking service providers out of the middle of flow of E-rate funding.⁹

IV. The Commission Should Phase Out Funding for Voice Services.

As stated above, AT&T agrees that the Commission should refocus the E-rate program on supporting high speed broadband to and within schools and libraries, while eliminating support for services that do not advance the deployment of broadband, such as voice telephony services. The Public Notice seeks comment on ways to reduce support for voice services but does not distinguish TDM-based (telephony) voice service from voice over Internet protocol (VoIP) service for this purpose; so it is not entirely clear what is intended. AT&T suggests the Commission phase out support for telephony voice and VoIP services on different schedules. Specifically, AT&T suggests the Commission phase out telephony voice services on an accelerated schedule, e.g. three years or less, so that support for those services can be repurposed to supporting broadband. On the other hand, the program could support VoIP services for a longer transition period, e.g. five years, as a way of increasing incentives for schools and libraries to substitute broadband technologies for legacy technologies. Ultimately, AT&T agrees that voice services of all kinds should no longer be eligible for E-rate discounts.

AT&T does not have a preference for the methodology the Commission chooses to phase-out these services; however, if the Commission elects to gradually reduce the discount percentage for these services, it should consider how this change will impact service providers who have to accommodate the discount on their bills. For example, portions of AT&T's

⁹ Other processes would also benefit from this streamlined approach. For example, USAC's Good Samaritan disbursement process could be completely eliminated if it were permitted to provide funds directly to the applicants.

discount processes are mechanized and these systems can only apply one discount percentage for each FRN. Therefore, AT&T could accommodate a gradual reduction of the discount percentage for voice services on a mechanized basis but only if applicants obtain a unique FRN for any service that requires a different discount percentage.¹⁰

V. The Commission Should Fund Demonstration Projects If Applicants Demonstrate A Need.

The Commission also seeks comment on whether it should provide funding for demonstration projects aimed at identifying and testing different approaches to meet broadband needs.¹¹ AT&T generally supports demonstration projects or technology trials. However, given the limited resources currently available to the program, the Commission should set aside only limited funding for these initiatives and should ensure that these projects are well-defined and are focused on delivering broadband to and/or within schools and libraries, or off-campus for educational purposes. In addition, any projects must be limited in duration to ensure the results are shared on a timely basis so that others may benefit from the projects.

VI. The E-rate Program Should Support Off-Campus Mobile Learning.

Although the Public Notice did not seek comment on the eligibility of off-campus broadband access, AT&T urges the Commission to address the eligibility of off-campus mobile broadband connectivity as it transforms the eligible service list to refocus the program on broadband and optimize the educational benefit of broadband access. Today's educational systems increasingly require students to have access to information outside of the classroom to implement educational models such as blended learning, flipped learning and alternative school

¹⁰ This example demonstrates how a seemingly easy adjustment to the program could add significant administrative costs to service providers. The FCC could avoid these issues and reduce the compliance cost of the program by providing funding directly to schools and libraries, so they, in turn, can pay their service providers. (*See supra* Section III).

¹¹ Public Notice at ¶56.

formats. Thus, learning can no longer be confined within the walls of a school at specified times in the day. As a result, AT&T, as well as other providers, has developed methods to ensure school-owned mobile learning devices only have access to educationally appropriate content, a concern the FCC has raised in the past. With this issue behind us, E-rate support for off-campus wireless broadband access could almost instantaneously lessen the “digital divide” between students that have broadband Internet access at home and those that do not.

Indeed the evaluation results from the *Make Learning Mobile* projects indicate that student usage of mobile-broadband equipped tablets remarkably enhanced the learning experiences both on and off-campus. For example, the Falconer Elementary School report indicates that students did more online research, played more educational games, [and] communicated more with classmates and their teacher . . . than they had first envisioned.”¹² This evaluation also noted that “three-quarters of the device requests for access to learning or academic websites occurred between 3:00 pm and 9:00 pm.”¹³ Similarly, the Stone Middle School report indicates that homework completion rates increased, and students developed stronger research skills due to the accessibility of the tablets.¹⁴ Thus, there can be no question that off-campus mobile broadband access can serve an educational purpose that could dramatically improve educational outcomes. As a result, the Commission should permit E-rate funds to be used for off-campus mobile broadband connectivity.

¹² See Qualcomm Ex Parte, dated January 13, 2014 filed in GN Docket 09-51 and CC Docket No.02-6, Making Learning Mobile 1.0 – Falconer Elementary School Project Evaluation Results at p. 5.

¹³ *Id.* at p. 7.

¹⁴ *Id.* Making Learning Mobile 1.0 – Stone Middle School Project Evaluation Results at p. 7.

VII. CONCLUSION

As discussed above, the E-rate program's focus should be on broadband connectivity, and the Commission should ensure that all services and/or technologies that are capable of providing broadband connectivity to, within, and off-campus are eligible for E-rate funding.

Respectfully submitted,

/s/Terri L. Hoskins
Terri L. Hoskins
Christopher Heimann
Gary L. Phillips
Lori Fink

AT&T Services, Inc.
1120 20th Street, N.W.
Suite 1000
Washington, D.C. 20036
(202)457-3047 – telephone
(202)457-3073 – facsimile

Its Attorneys

April 7, 2014

ATTACHMENT A

Dear Customer and E-Rate Applicant,

Welcome to the E-Rate Fund Year 2013. AT&T Ohio - Ohio Bell Telephone Company has received notification from the SLD that at least one FRN on your E-Rate Funding Application for SPIN 143001688 has been approved for Fund Year 2013 (which begins on July 1, 2013).

Attached to this email is the document that allows AT&T to timely process your requests for either BEAR (Billed Entity Applicant Reimbursement) or SPI (Service Provider Invoice) disbursements of your funding. Please take the time to read the attached instructions and indicate your choice of disbursement method on the certification page, then complete the appropriate section based on your selection.

Finally, we would like to remind you to submit the Form 486 to the SLD within the required time frame, as delays can impact your funding. The USAC does not provide any disbursement of funds until they have received and approved your Form 486. AT&T will therefore not provide discounts until receipt of the Form 486 notification letter from USAC.

<http://www.universalservice.org/sl/tools/forms/default.aspx>

For SPI method:

Before we can apply discounts on your E-Rate eligible services via the SPI method you must complete, sign and return the AT&T E-Rate SPI grid. You must list and assign the applicable FRN to each Billed Account Number, as well as provide the percentage of eligibility based on services and use of Billed Account Number. Each FRN must have a designated Billing Account Number in order for AT&T to properly calculate your discounts.

For BEAR method:

Please complete and return the section of the certification for BEAR requests. Failure to return the certification form indicating BEAR method with a designated payment address will result in the BEAR reimbursement payment mailed to the address listed on the Form 472 (BEAR) Notification Letter.

The designated payment address provided on the certification form **MUST match** the address from one of the following forms:

- Funding Commitment Decision Letter (FCDL)
- 486 Notification Letter
- Form 472 (BEAR) Notification Letter.

BEAR reimbursement payments will not be mailed to an address not listed on the above forms.

If you elect to submit a BEAR Form 472, we remind you that the SLD provides guidance to applicants to allow time for their Service Provider to process submitted BEAR forms. AT&T requires 5 business days for processing whether submitted online or by paper.

The SLD provides the ability to process your BEAR online which offers the following advantages:

- * System checks for errors and notifies you of missing or inconsistent data.
- * Invoice review process can begin soon after all required information is submitted online

* Receive by email a copy of the Service Provider notification of your BEAR filing

AT&T allows for use of the online BEAR system provided by USAC.

E-Rate Eligibility:

The eligibility or ineligibility of products or services for E-Rate funding is solely determined by the USAC/SLD and/or the FCC. AT&T makes no representations or warranties regarding such eligibility.

AT&T reminds our customers who are purchasing from State Contracts or other Master Buying Agreements negotiated by a third party to review and understand the terms and conditions required under that contract, including any administrative fees the contract may impose, which may be considered ineligible by USAC.

AT&T reminds our customers to deduct all ineligible charges from their BEAR Form 472 submissions.

The attached Certification Page identifies the two options described above and requires you to indicate your preference.

If you have any questions or concerns please feel free to contact the AT&T National E-Rate Service Center at 1-877-444-6944 between 8:00 AM and 7:00 PM E.S.T Monday through Friday.

AT&T looks forward to serving your telecommunications needs and providing you with World Class Service today and in the future.

Sincerely,
Customer Advocate, AT&T National E-Rate Center of Excellence
1-877-444-6944
AT&T E-Rate Home page: <http://www.att.com/erate>
SLD Home page: <http://www.sl.universalservice.org>

The following documents are attached:

Instructions
Existing Service List (Grid)
SPI/BEAR Certification Page
Growth Page

**This e-mail and any files transmitted with it are the property of AT&T, are confidential, and are intended solely for the use of the individual or entity to whom this e-mail is addressed. If you are not one of the named recipients or otherwise have reason to believe that you have received this message in error, please notify the sender at 1-877-444-6944 between 8:00 AM and 7:00 PM EST and delete this message immediately from your computer. Any other use, retention, dissemination, forwarding, printing, or copying of this e-mail is strictly prohibited.

Instructions for E-Rate Funding Year 2013

The Ohio Bell Telephone Company dba AT&T Ohio SPIN: 143001688

Below you will find instructions for completing the three attachments required by AT&T Ohio in regards to E-Rate Funding Year 2013.

Attachments: **Existing Services List, Growth Page, and SPI/BEAR Certification Page**

Existing Service List –Also Known as Grid- Required if the SPI Discount Method is selected.	
	The header information is populated for you and includes: Funding Year and Dates, Service Provider Name and SPIN, Applicant Name and Billed Entity Number. Please do not modify header information.
A	Existing Service List Read the purpose of the Existing Service List (Grid).
B	Voicemail Product Read and understand the following, as noted in our letter to you in February of 2013. If AT&T Messaging voicemail products were sought on your 470/471 and approved please be advised that those services are no longer provided by Ohio Bell Telephone Company dba AT&T Ohio SPIN 143001688. Voicemail products and services are provided by AT&T Messaging, SPIN 143033845. AT&T Messaging voicemail products are administered by AT&T Messaging SPIN 143033845. If you have a funded FRN for SPIN: 143001688 that includes Voicemail, please contact USAC and inquire if the funding associated with any Voicemail charges, can be moved to a stand alone FRN through a SPIN change. FRN SPLIT.
	Content required
1.)	Contains the Billed Telephone Number (BTN) as identified in our database for the above referenced SPIN, and/or a previous Existing Service List returned by you. a) Add additional eligible Billed Telephone Numbers for which you requested and received funding that are not included on the attached list. The format for the BTN must be 13 numeric or alphanumeric characters, which includes the 3 digit customer code. (no spaces, dashes or other characters) For example: 55R777111222 b) Remove ALL Billed Telephone Numbers that are not eligible to receive E-rate benefits.
2.)	Contains the working telephone number (WTN) or Circuit ID as identified in our database for the above referenced SPIN, and/or a previous Existing Service List returned by you. a) Add additional eligible Working Telephone # or Circuit ID for which you requested and received funding that are not included on the attached list. The format for the WTN must be 10 digits (no spaces, dashes or other characters) For example: 5557771111 . The format of the circuits ID may contain up to 45 Alphanumeric characters (hyphens and period symbols are permitted, no spaces) For example: XXXX.000000..XX b) Remove ALL Working Telephone # or Circuit ID that are not eligible to receive E-rate benefits.
3.)	Enter the FRN associated with each BTN/ WTN or Circuit ID listed in 1,2. The FRN(s) MUST correspond to the funding requested on your 471, Block 5, Item 21 attachment.
4.)	Percent at which product is Eligible: Enter the Percentage for which the line is qualified to receive discounts under the program rules. If this service is only partially eligible, as defined by the SLD, or shared with an ineligible entity, please enter the percentage of eligible use (1-99). Caution! This percentage is not the same as the FRN discount eligibility percentage on your FCDL by the SLD. For more information call the SLD at (888) 203-8100 or visit the

5.) Class of Service	SLD website at http://www.sl.universalservice.org .															
6.) Notes	Not a required field. You can use this field to identify the class of service associated to the BTN/WTN or Circuit ID provided.															
Circumstances requiring Special Handling	Use this field to respond to questions addressed by the National E-Rate Center of Excellence.															
	A. MULTIPLE FRN's / DIFFERENT 486 START DATES: If you have a Billing Telephone Number and/or Working Telephone Numbers that will be assigned to MULTIPLE FRN's for the 2013 funding year covering separate 486 Services Start Date and End Date you must create a duplicate entry of the BTN & WTN for each FRN funded. See Example Below Line 1 & 2: The Billing Telephone Number and Working Telephone Number were entered multiple times assigned to FRN 9876543 which was approved with start date of 7-1 thru 12-31 and the FRN 3456789 with start date 1-1 thru 6-30. <table border="1"> <thead> <tr> <th>1.) Billed Telephone Number</th> <th>2.) Working Telephone Number</th> <th>3.) FRN</th> <th>4.) Percent at which product is Eligible</th> </tr> </thead> <tbody> <tr> <td>555777221122</td> <td>555777221</td> <td>9876543</td> <td>100</td> </tr> <tr> <td>555777221122</td> <td>555777221</td> <td>3456789</td> <td>100</td> </tr> </tbody> </table> B. USAGE ONLY: If you have an FRN that is specifically for USAGE (Calls) that is different than the FRN intended for the products and services, please indicate this on the SPI/BEAR certification page in the Usage Only column and contact us for SPECIAL HANDLING @ 1-877-444-6944.				1.) Billed Telephone Number	2.) Working Telephone Number	3.) FRN	4.) Percent at which product is Eligible	555777221122	555777221	9876543	100	555777221122	555777221	3456789	100
1.) Billed Telephone Number	2.) Working Telephone Number	3.) FRN	4.) Percent at which product is Eligible													
555777221122	555777221	9876543	100													
555777221122	555777221	3456789	100													
	Growth-Additional Services Page -Required if the SPI Discount Method is selected and you received funding on products and services which you plan to have installed after returning the Existing Service List to the National E-Rate Center of Excellence. This form should also be used to identify accounts where you have received E-Rate funding on Non-Recurring charges related to the installation of products and services. You MUST contact the National E-Rate Center of Excellence @ 1-877-444-6944 and or submit a Growth Form after installation with the Billing & Working Telephone Numbers and corresponding FRN if the discount method is selected and you are expecting discounts on new services or non-recurring charges. SPI/BEAR CERTIFICATION: Required if the SPI or BEAR discount method is selected. In this section you are being asked to identify how you would like to receive your E-rate Funding. Place a X in the BEAR or SPI fields. Note: If you submit a BEAR 472 Form to AT&T prior to returning this certification. The BEAR 472 form will be used as your certification. By SPI method which is the discounted billing method. Note: Discounts will not begin until GRID is returned and a 486 Notification Letter is received. By BEAR method if you would like your approved E-rate Funding to be provided via the BEAR reimbursement method. If this box is selected, please complete Section 11 and return to the E-rate center. List all FRNs for this SPIN for which you select the BEAR method of disbursement. Once you have declared your preference, your E-rate Funding will be treated in this manner for the entire Funding Year once discounts begin. <table border="1"> <thead> <tr> <th>Information requested</th> <th>Content required</th> </tr> </thead> <tbody> <tr> <td>1 Applicant Name</td> <td>Enter the Applicant Name as is appears on your form 470</td> </tr> </tbody> </table>				Information requested	Content required	1 Applicant Name	Enter the Applicant Name as is appears on your form 470								
Information requested	Content required															
1 Applicant Name	Enter the Applicant Name as is appears on your form 470															

2	Contact Name	Enter the contact person in which AT&T should interact with to discuss questions related to your discounts.
3	Contact Title	Enter the title of the contact person.
4	Contact Phone #	Enter the phone number of the contact person.
5	Contact Email Address	Enter the email address of the contact person.
6	Disbursement Method	Please provide all of the requested information for all FRN's listed on your returned Existing Services List.
7	Certification	Read and understand certifications re: FRN and Eligibility designations
8	Authorized Contact Signature	Signature of Authorized Contact
9	Authorized Contact Title	Title of Authorized Contact
10	Date	Date Signed
11	Designated Payment Address (BEAR ONLY)	Failure to return the certification form indicating BEAR method with a designated payment address will result in the BEAR reimbursement payment mailed to the address listed on the Form 472 (BEAR) Notification Letter. The designated payment address provided on the certification form MUST match the address from one of the following forms; • Funding Commitment Decision Letter (FCDL) • 486 Notification Letter • Form 472 (BEAR) Notification Letter. BEAR reimbursement payments will not be mailed to an address not listed on the above forms Please return the completed forms as follows Existing Service List: return the completed form in Excel format via email to snowerock@att.com Growth Page: return the completed form in Excel format via email to snowerock@att.com SPI/BEAR Certification Page: return the signed and completed form in PDF format via fax to 1-888-308-7186. via Email (Preferred Method): snowerock@att.com via US Mail: AT&T National E-Rate Center of Excellence Spin 143001688 444 Michigan Av. Flr 2 Detroit, MI 48226 via FAX: 1-888-308-7186 If you would like on-line assistance in completing this information please contact the National E-Rate Center of Excellence at 1-877-444-6944. Thank you for choosing AT&T Ohio as your E-Rate provider.

E-Rate Year 2013 (YR 16)
(07/01/2013 through 06/30/2014)
COUNT :
Service Provider Selected: The Ohio Bell Telephone Company dba AT&T Ohio SPIN: 143001688

Applicant Name:		Billed Entity Number:		Billed Telephone Number		5.) Class of Service		6.) Notes	
A. This Existing Services List is the Applicants representation to AT&T Ohio regarding the Billed Telephone Numbers, FRNs and Eligibility percentages of the services listed below. AT&T Ohio will rely upon these representations in the calculation of discounts. The Applicant is solely responsible for the accuracy of this information. Please return this completed form with the "signed" certification page.		B. If AT&T messaging voicemail products were sought on your 470471 and approved, please be advised that those services are no longer provided by Ohio Bell Telephone Company dba AT&T Ohio. SPIN: 143001688, and no discounts will be provided under this SPIN. Voicemail products and services are provided by AT&T Messaging, SPIN 143033845. See Instructions for more information.		4.) Percent at which product is Eligible		3.) FRN			
				2.) Working Telephone Number or Circuit ID					

INFO Item: Audit Released August 2025
Attachment N
10/27/2025

Attachment N

SL2025LR001

Susquehanna Township School District

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

USAC Audit No. SL2025LR001

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION	3
USAC MANAGEMENT RESPONSE	3
PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES	3
DETAILED AUDIT FINDING	5
FINDING: 47 CFR § 54.504(a) (2022) - FCC Form 471 Does Not Agree with the Executed Contract	5

EXECUTIVE SUMMARY

July 7, 2025

Dr. Tamara Willis, Superintendent
Susquehanna Township School District
2579 Interstate DR
Harrisburg, PA 17110

Dear Dr. Willis:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Susquehanna Township School District (Beneficiary), Billed Entity Number (BEN) 125728, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

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

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Jeanette Santana-Gonzalez". The signature is fluid and cursive, with the first name "Jeanette" being the most prominent.

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

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

AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect (A)	Recommended Commitment Adjustment
Finding: 47 CFR § 54.504(a) (2022) - FCC Form 471 Not Supported by Executed Contract. The Beneficiary's entities, as listed on the FCC Form 471, are not supported or consistent with the Service Provider contract.	\$0	\$0
Total Net Monetary Effect	\$0	\$0

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will issue a commitment adjustment and/or seek recovery of the E-Rate program support amount consistent with the FCC Rules. In addition, USAC management will conduct outreach to the Beneficiary to address the areas of deficiency that are identified below in the audit report.

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 2023 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$18,954	\$18,954
Internet Access	\$51,328	\$46,698
Total	\$70,282	\$65,652

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

The committed total represents two FCC Form 471 applications with two Funding Request Numbers (FRNs). AAD selected both FRNs,¹ which represent \$70,281 (100 percent) of the funds committed and \$65,651 (100

¹The FRNs included in the scope of this audit are: 2399028897 and 2399010918.

percent) of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2023 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a School District located in Harrisburg, Pennsylvania, that serves over 3,000 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. AAD obtained and examined documentation to determine whether it supported the Beneficiary's effective use of funding and ensured adequate controls existed to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which 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. 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 Bidding Process

AAD obtained and examined documentation to determine whether the Beneficiary properly selected the Service Providers that provided eligible services, and the price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected Service Providers. AAD examined the Service Providers' 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 Reimbursement (BEAR) Forms, and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Site Visit

AAD performed a virtual inspection to confirm the location and use of equipment and services, and to determine whether the equipment and services were delivered and installed, located in eligible facilities, and utilized in accordance with the FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. AAD reviewed invoices associated with the BEAR Forms for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the BEAR Forms and corresponding Service Provider's 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: 47 CFR § 54.504(a) (2022) - FCC Form 471 Does Not Agree with the Executed Contract

CONDITION

AAD obtained and examined the FCC Form 471 and FCC Form 470, along with the corresponding contract provided by the Beneficiary, to determine whether the Beneficiary entered into a legally binding agreement and whether the contract correctly reflects only the approved Beneficiary's eligible entities as listed on the FCC Form 471 for FRN 2399010918. The Beneficiary's FCC Form 470 lists five entities, but does not include the entities' names. The FCC Form 471, certified on February 8, 2023, also lists five entities, including Lindemuth Elementary School, as recipients of services. However, the three-year contract, dated March 2, 2021, for these services lists only four eligible entities, with Lindemuth Elementary School excluded from the contract. The Beneficiary failed to amend its FCC Form 471 to exclude Lindemuth Elementary School, which elected not to enter a contract to receive services. As a result, the Beneficiary's Funding Commitment Decision Letter included funding for five locations, instead of four. However, the contract and invoices did not include the location.

CAUSE

The Beneficiary did not demonstrate sufficient understanding of the FCC Rules governing the submission of the FCC Form 471 and associated documentation to the E-Rate program for eligible services. Additionally, the Beneficiary lacked adequate review and verification controls to ensure that all information submitted, including the list of eligible entities, was accurate and consistent across all required forms and contracts. This deficiency led to the clerical error that resulted in the inclusion of Lindemuth Elementary School on FCC Form 471.¹

EFFECT

The monetary effect of this finding is \$0. While Lindemuth Elementary School was listed in the FCC Form 471 due to a clerical error, no funding was disbursed for the school.

RECOMMENDATION

AAD recommends that the Beneficiary implement policies, controls, and procedures to ensure that all the information submitted in the FCC Form 471 is accurate and consistent across all required documentation,

¹Beneficiary's response to the Audit Inquiry Record (AIR) received on January 23, 2025.

including the contracts. These controls should include a thorough review process to verify that the accuracy of eligible entities listed in the Form 471 is supported by a contract or legally binding document, as required by the FCC Rules, before submission to USAC. In the case that an error is discovered after submission, AAD recommends the Beneficiary submit a Receipt Acknowledgment Letter Modification Request or FCC Form 500 to correct FCC Form 471.

AAD also recommends that the Beneficiary familiarize itself with the FCC rules, which establish set criteria for FCC Form submissions. The Beneficiary should visit USAC's E-Rate program training materials available on the USAC website at <https://www.usac.org/e-rate/learn/> to understand FCC compliance requirements.

BENEFICIARY RESPONSE

District staff responsible for e-rate processing along with its e-rate consultant will participate in training available via the Universal Service Administrative Co. to improve its understanding of the e-rate process.

District staff will implement protocols and reviews requiring the verification of data throughout the e-rate application process to ensure that the entities (schools/buildings) listed in its e-rate public bidding process on Form 470 include both entity id numbers, as well as entity (schools/buildings) names and that all such information included on its funding request for discounts on eligible services and equipment Form 471 is identical and in complete agreement. Additionally, the district will ensure that its actual e-rate contract invoices submitted for reimbursement agree with data filed via its Forms 470 and 471, as required.

CRITERIA

47 CFR § 54.504(a) (2022) *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.****