Schools & Libraries Committee

Audit Report Briefing Book

Monday, July 27, 2026

Universal Service Administrative Company

Available for Public Use

700 12th Street, NW, Suite 900

Washington, D.C. 20005

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Report Released: March 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment A Kip SoCal Public Schools	1	• No significant findings.	$221,157	$19,465	$7,153	$0	Partial
Total	**1**		**$221,157**	**$19,465**	**$7,153**	**$0**	

Attachment A

SL2025LR004

Kipp SoCal Public Schools

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

USAC Audit No. SL2025LR004

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EXECUTIVE SUMMARY

September 5, 2025

Angella Martinez, CEO
Kipp SoCal Public Schools
3601 East First Street
Los Angeles, CA 90063

Dear Ms. Martinez:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Kipp SoCal Public Schools (Beneficiary), Billed Entity Number (BEN) 16045681, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as and orders and other program requirements governing the federal Universal Service E-Rate program (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/services 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) and one other matter (Other Matter) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period. An Other Matter is a condition that does not necessarily constitute a rule violation but warrants the Beneficiary, corresponding Service Provider, and USAC Management's attention. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future USAC or FCC verification, audit, or investigation.

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 you and your staff provided during the audit.

Sincerely,

Jeanette Santana-González

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

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

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding: FCC Form 473 Service Provider Annual Certification at Block 2 (2022) and FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2022) – Service Providers Invoiced E-Rate Program for Cost Exceeding Approved Amounts and Ineligible Costs. The Service Providers invoiced the E-Rate program for costs exceeding the costs approved for funding and ineligible costs.	$19,465	$7,153	$0
Other Matter: 47 CFR § 54.514; Modernization Order, FCC 14-99, at 233-235 (2014) - Service Provider Billed the Beneficiary for the Discounted Share of Cost While Using the Service Provider Invoice (SPI) Method. The Service Provider billed the Beneficiary 100 percent of the cost of services, instead of the non-discounted portion, as required by the SPI method.	$0	$0	$0
Total Net Monetary Effect	**$19,465**	**$7,153**	**$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. See the chart below for USAC Management's recovery action by FRN.

	FRN 2399057034	FRN 2399056573	USAC Recovery Action
Finding:	$1,836	$5,317	$7,153
Total	**$1,836**	**$5,317**	**$7,153**

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	$620,697	$56,822
Basic Maintenance of Internal Connections	$32,819	$0
Internet Access	$427,277	$164,335
Total	**$1,080,743**[1]	**$221,157**

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

The committed total represents seven FCC Form 471 applications, *Description of Services Ordered and Certification Form*, with eight Funding Request Numbers (FRNs). AAD selected six of the eight FRNs,[2] which represent $748,983 of the funds committed and $237,295 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 Los Angeles, California that serves over 10,000 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 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 validate its accuracy.

[1] After the commencement date of the audit, the Beneficiary submitted a request to cancel three of the FRNs, which the E-Rate program approved and reduced the committed funds for those FRNs to $0. As of the date of this audit report, the total amount remaining committed is $748,983. The FRNs AAD selected to perform the procedures enumerated below represent $732,845 of the revised committed amount.

[2] The FRNs included in the scope of this audit were: 2399053425, 2399054473, 2399054528, 2399056573, 2399056961, and 2399057034.

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 a Service Provider that provided eligible services and considered the price of the eligible services and goods as the primary factor in the competitive bidding process. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers. AAD examined the Service Provider contracts to determine whether they were properly executed.

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

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 474 Service Provider Invoice (SPI) 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 Visits

AAD performed a virtual inspection to evaluate the locations and use of services to determine whether it was delivered to eligible facilities and utilized in accordance with the FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. AAD also evaluated the services purchased by the Beneficiary 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 SPI Forms for equipment and services provided to the Beneficiary. AAD 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 AND OTHER MATTER

Finding: FCC Form 473 Service Provider Annual Certifications Form at Block 2 (2022) and FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2022) – Service Provider Invoiced E-Rate Program for Cost Exceeding Approved Amounts and Ineligible Costs

CONDITION

AAD obtained and examined the Beneficiary's FCC Form 471s, the FCC Form 474 Service Provider Invoice (SPI) Forms and the corresponding Service Providers' bills provided by the Beneficiary to determine whether the E-Rate program was invoiced for eligible services and approved amounts for FRNs 2399057034 and 2399056573. For FRN 2399057034, the Service Provider[3] invoiced the E-Rate program for services delivered to six locations at rates that exceeded the rates approved for funding on the Beneficiary's FCC Form 471.[4] For FRN 2399056573, the Service Provider[5] did not deduct the ineligible portion from the service cost before calculating the discounted cost and invoicing the E-Rate program. The Beneficiary determined the ineligible portion to be 25 percent of the total cost of service based on usage. These errors resulted in an E-Rate overpayment as follows:

FRN	FRN Line Item	FRN Line Total Eligible Cost A	Amount Billed and Submitted to E-Rate B	Pre-Discount Cost Variance C=B-A	Discount Rate D	Overpayment E=C*D
2399057034	2399057034.001	$19,680	$19,920	$240	90%	$216
2399057034	2399057034.004	$6,560	$8,566	$2,006	90%	$1,805
2399057034	2399057034.007	$26,240	$37,349	$11,109	90%	$9,998
2399056573	2399056573.006	$26,247	$34,996	$8,749	85%	$7,437
Total						**$19,456**

CAUSE

The Service Providers did not have adequate processes and controls in place to ensure that the E-Rate program was invoiced for services at the approved rates in the applicable FCC Form 471 and that ineligible portions were properly excluded from the costs prior to submitting invoices to the E-Rate program.[6]

EFFECT

The monetary effect for this finding is $19,456. This amount represents the funds disbursed by the E-Rate program for the cost of services exceeding the amounts approved by E-Rate program for FRN 2399057034, and the ineligible costs for FRN 2399056573.

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[3] Charter Communications Operating, LLC, SPIN 143050436.
[4] 47 C.F.R. 54.504(f) (2022).
[5] PC Specialists, SPIN 143006183.
[6] Charter response to the Audit Result Summary received on April 10, 2025 and PC Specialists response to the Audit Result Summary received on April 2, 2025 .

FRN	Monetary Effect and Recommended Recovery	Recommended Commitment Adjustment
2399057034	$12,019	$0
2399056573	$7,437	$0
Total	**$19,456**	**$0**

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amounts identified in the Effect section above.

The Service Providers must implement policies, controls, and procedures to ensure the E-Rate program is invoiced only for the Beneficiary's discounted portion of eligible services and for eligible entities. The Service Providers can also learn more about the E-Rate program's training opportunities on USAC's website at https://www.usac.org/e-rate/learn/ and keep current on E-Rate news at https://www.usac.org/e-rate/resources/news-brief/.

The Beneficiary can familiarize itself with the FCC Rules related to invoicing at https://www.usac.org/e-rate/service-providers/step-5-invoicing/.

BENEFICIARY RESPONSE

KIPP SoCal Public Schools appreciates the opportunity to respond to the draft audit findings. We respectfully submit that all services associated with the cited Funding Request Numbers (FRNs) were:

- Competitively bid and procured in accordance with FCC rules;
- Within the scope of the approved Form 470 and Form 471;
- Eligible under the E-Rate program; and
- Delivered in full to eligible school sites.

The audit variances identified do not reflect ineligible services or overbilling, but rather stem from the way sub-line items were entered in EPC [E-Rate Productivity Center] and how the vendor invoiced against those line items. The dollar differences are the result of invoicing mechanics and line-item reconciliation, not from services exceeding what was approved or delivered.

FRN 2399057034

The audit report states that the service provider invoiced for amounts exceeding approved detail lines. In fact, the total services delivered were fully within the scope of the approved FRN. The discrepancy arose because NSLP detail lines in EPC did not align with how the services were invoiced by location.

To correct this, the District filed a corrective service substitution in April 2025 to bring the FRN detail lines into alignment with the invoicing. USAC approved the substitution on May 6, 2025, confirming the appropriateness of the correction. With this approval, the majority of the variance is resolved. The revised calculation reduces the monetary effect from the originally cited $12,019 to $1,836. Please see the table below:

Per Service Provider SPI Reconciliation				Form 471	Recalculation	Pre-Discount Cost Variance	Discount Rate	Monetary Effect
FRN Line Item	BEN	Months of Svc	Total Billed and Submitted to USAC	FRN Line Eligible Monthly Cost	FRN Line Total Elgible Cost			
2399057034.001	16055069	12	9,960.00	830	9,960.00	-	90%	-
	Annex - 16055069	12	9,960.00	830	9,960.00	-	90%	-
2399057034.004	Annex - 16066878	8	8,565.67	1124	8,992.00	-426.33	90%	-
2399057034.011	16066878	8	8,333.12	1124	8,992.00	-658.88	90%	-
	16079598	12	15,527.76	1124	13,488.00	2,039.76	90%	**1,835.78**
	17019272	12	13,488.00	1124	13,488.00	-	90%	-
							TOTAL:	**$1,835.78**

FRN 2399056573
For this FRN, the service provider invoiced for the full cost of two firewalls without excluding the ineligible portion identified by the District. At the same time, the provider failed to include the eligible associated taxes in the SPI. When both factors are properly accounted for, the net variance is reduced from the audit's cited $7,437 to $5,317. Please see the table below:

SPI INVOICE					Service Provider Bill			Corrective Summary			
Discount Rate	SPIN	Discount Amount Billed to USAC	Amount Disbursed	Total Eligible Pre-discounted Cost	Service Type	Pre-discounted Cost/ Unit	Quantity	Ineligible Portion	Total Eligible Pre-Discount Cost	Actual Discount Amount	Monetary Effect
85%	143006183	$29,747.02	$29,747.02	$ 34,996.50	Firewall	$17,498.25	2	$4,374.56	$26,247.38	$ 22,310.27	**$ 7,436.75**
85%	143006183			$ 3,324.67	Taxes	$ 3,324.67	1	$ 831.17	$ 2,493.50	$ 2,119.48	**$ (2,119.48)**
										TOTAL:	**$ 5,317.27**

Again, the services delivered were eligible, approved, and used by the District. The issue is strictly related to how the invoicing was prepared, not to the eligibility of the equipment or services.

Conclusion
All services cited in the findings were delivered, eligible, and within the scope of the approved applications. The discrepancies noted are the result of sub-line item alignment and invoicing mechanics, not overbilling or procurement of ineligible services. The District has already corrected FRN 2399057034 through an approved service substitution, and the corrected monetary impact across both FRNs is $7,153, not the $19,465 originally cited.

CHARTER'S RESPONSE

Charter Communications Operating, LLC ("Charter") erroneously provided SPI discounts on the full monthly rates for the services at issue rather than the eligible monthly rates identified on the relevant FRN. However, once Charter identified this error, the company promptly corrected it, beginning on the Beneficiary's invoice for February and March 2025.

Charter has initiated the process of reimbursing USAC for the amount disbursed in excess of that approved. Moreover, Charter has implemented a control within its discount database that aligns a billing service (code) to the FRN to prevent discounts from processing when the monthly billing rate exceeds the rate funded under the relevant FRN, which will help to prevent this error from reoccurring [sic].

PC SPECIALISTS' RESPONSE

On April 1, 2025, PC Specialists sent notice to Kipp advising the $7,436.76 needed to be forwarded to USAC.

AAD RESPONSE

For FRN 2399057034, AAD agrees with the Beneficiary that the services and locations invoiced were eligible and within the scope of the approved FRN. AAD reviewed the service substitution approved by USAC on May 6, 2025, subsequent to the Beneficiary being notified by AAD on March 31, 2025, that the amount invoiced exceeded the costs approved for the noted line items. The following substitutions were approved:

- FRN Line Item 2399057034.001 – Monthly Recurring Eligible Unit Cost changed from $819.99 to $830.
- FRN Line Item 2399057034.004 – Original quantity of two split between this line item and new FRN Line Item 2399057034.012 for 500 Mbps Ethernet at a monthly recurring eligible unit cost of $1,124.
- FRN Line Item 2399057034.007 – Quantity reduced from 18 to 17.
- FRN Line Item 2399057034.009 – Monthly recurring eligible unit cost changed from $6,039.11 to $4,803.05.
- FRN Line Item 2399057034.011 – Quantity increased from 2 to 3.

Based on these substitutions, AAD agrees with the Beneficiary that the monetary effect for this FRN should be reduced to $1,836. As a best practice, the Beneficiary should request any service substitutions as soon as they are known prior to invoicing the E-Rate program.

For FRN 2399057034, AAD agrees with the Beneficiary that the service provider failed to include the associated taxes billed in the SPI, and the monetary amount should be reduced to $5,317.

The total recommended recovery for this finding should be reduced to $7,153.

Other Matter: First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed the Beneficiaries for the Discounted Share of Costs While Using the Service Provider Invoice (SPI) Method

CONDITION

AAD obtained and examined the Service Providers' (Charter Communications Operating, LLC and PC Specialists) 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 Funding Year 2023, the Service Providers asked the Beneficiary to choose the method to receive E-Rate reimbursement from USAC and the Beneficiary elected the Service Provider Invoice (SPI) method[7] for the following FRNs and discount rates:

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[7] *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, para. 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); and *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. 46-47 (2003) (*Second Report and Order*).

FRN[8]	Discount
2399053425	90%
2399054473	85%
2399057034	90%

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 to receive payment.[9] However, in this case,

- One Service Provider (Charter Communications Operating, LLC) billed the Beneficiary for the *full pre-discount costs* of the eligible services for the FRNs ending 3425 and 7034 for five months, rather than only the Beneficiary's non-discounted share of the costs (plus the costs of any ineligible equipment and services). The Beneficiary was reimbursed for the discounted portion in later months through credits on the Service Provider bills and proceeded to bill only the non-discounted costs of the eligible services for the remainder of the funding year.

- The other Service Provider (PC Specialist) disregarded the pre-established agreement[10] of billing only the non-discounted cost of the eligible equipment and/or services and billed the Beneficiary for the *full pre-discount costs* of the eligible equipment and/or services for the FRN ending in 4473. After the Service Provider received disbursement for the discounted share of the costs from USAC, it reimbursed the Beneficiary by ACH payment.

CAUSE

The Service Providers did not have adequate controls and procedures in place to ensure compliance with FCC Rules. For FRN 2399054473, the Service Provider mistakenly billed the Beneficiary for the full amount of the cost.[11] For FRNs 2399053425 and 2399057034, the SPI discounts from July 2023 through November 2023 were provided on the November 2023 bill and the SPI discount for January 2024 was provided on the February 2024 bill.[12]

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[8] For FRNs 2399053425 and 2399057034, the Service Provider stipulated in its standard E-Rate Discount Election Form completed and submitted by the Beneficiary that the SPI discount would commence once the Funding Commitment Decision Letter (FCDL) was completed by USAC and the FCC Form 486 was certified. For the noted FRNs, the FCDL was completed on May 25, 2023 and the FCC Form 486 was certified June 15, 2023 prior to the beginning of funding year 2023.

[9] *See supra* note 6.

[10] In their proposal in response to FCC Form 470 Application Number 230007849, PC Specialist agreed to use the SPI method at the request of the Beneficiary, and the language stated that only billed the Beneficiary for its non-discounted share of the costs plus the costs of any ineligible equipment and services.

[11] PC Specialists response to the Audit Results Summary received April 2, 2025.

[12] Charter Communications Operating, LLC response to the Audit Results Summary received April 10, 2025.

EFFECT

As a result of the above-described improper use of the SPI method, the Service Providers 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 Providers ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. AAD notes that, by selecting the SPI reimbursement method, the Beneficiary was only required to pay the Service Providers 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.[13] 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.[14]

RECOMMENDATION

The Service Providers must 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 Provider 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/.

CHARTER'S RESPONSE

As AAD has recognized, Charter provided SPI discounts for each of the 12 months in Funding Year (FY) 2023. In particular, the company provided SPI discounts covering the services provided from July 2023 through November 2023 on the Beneficiary's invoice for November 2023. For the remainder of FY 2023, Charter provided SPI discounts monthly, with the exception of January 2024, the SPI discount for which appeared on the Beneficiary's invoice February for 2024. Accordingly, the Beneficiary ultimately paid only the non-discounted share of the costs for the services that it received from Charter in FY 2023, as contemplated by the SPI method.

Charter reflects discounts on E-rate customer invoices after funding has been approved and after Charter completes compliance reviews to confirm E-Rate eligibility of the services and costs, and confirmation of applicant requirements. To minimize impacts to E-Rate customer of potential delays the payment of funding, upon the designation of the SPI invoicing method, Charter encourages beneficiaries 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

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[13] *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.

[14] *See Second Report and Order*, FCC 03-101, at para. 47 (citing to the *First Universal Service Order*).

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/solutions/industries/k-12/erate-e-rate-program.html.

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.

PC SPECIALIST'S RESPONSE

To move to a more automated process, we have our accounts set up to auto e-mail invoices electronically to our customers. Due to errors we have encountered with E-Rate, we now have those accounts set up to go directly to the E-Rate specialist to correct the invoice, noting the E-Rate discounts before sending them to the schools for processing. In addition, all invoices and orders go to our education department for review to ensure the lowest possible price is being provided and that all E-Rate standards and processes are in place.

CRITERIA

Finding	Criteria	Description
#1	FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2022)	*"… 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 excludes any charges previously invoiced to the Administrator by the Service Provider.* *…certify that any requests for reimbursement that are sought under a Service Provider invoice Forms (FCC Form 474) for discounts for products or services that contain both eligible and ineligible components are properly allocated as required by the Commission's rules at 47 C.F.R. § 54.504(e)"*
#1	FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2022)	*"I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:* A. *I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.* B. *I certify that the certifications made on the Service Provider Annual Certification Form (FCC Form 473) by this Service Provider are true and correct.*
#1	47 C.F.R. 54.504(f) (2022).	***Filing of FCC Form 473.*** *All service providers eligible to provide telecommunications and other supported services under this subpart shall submit annually a completed FCC Form 473 to the Administrator. The FCC Form 473 shall be signed by an authorized person and shall include that person's certification under oath that:* *(1) The prices in any offer that this service provider makes pursuant to the schools and libraries universal service support program have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other offeror or competitor relating to those prices, the intention to submit an offer, or the methods or factors used to calculate the prices offered;* *(2) The prices in any offer that this service provider makes pursuant to the schools and libraries universal service support program will not be knowingly disclosed by this service provider, directly or indirectly, to any other offeror or competitor before bid opening (in the case of a sealed*

Finding	Criteria	Description
		bid solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and *(3) No attempt will be made by this service provider to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.* *(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.* *(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.*

Other Matter	Criteria	Description
#1	*Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, paras. 234-235 (2014) (First 2014 E-Rate Order).	*"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.* *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.* *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.…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."*
#1	Federal-State Joint Board On Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157, para. 586 (1997)	*"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."*

Other Matter	Criteria	Description
#1	*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 and 47 (2003)	*"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."*
#1	47 C.F.R. § 54.514(c) (2022)	"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."
#1	47 C.F.R. § 54.504(f)(5) (2022)	"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."
#1	Service Provider Invoice (SPI) Form Certification, FCC Form 474, Block 3 (2022)	*"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."*

This concludes the report.

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: April 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action*	Commitment Adjustment	Entity Disagreement
Attachment B Madill Independent School District 2	1	• No significant findings.	$301,904	$97	$0	$0	N
Attachment C ACCESS Council	1	• No significant findings.	$1,516,661	$34,537	$0	$0	N
Attachment D Whalley Computer Associates, Inc.	5	• **47 C.F.R. § 54.507(d)(4) (2021)** – Equipment Not Installed. Four Beneficiaries did not install equipment by the service delivery deadlines.	$4,884,913	$402,277	$361,129	$0	Partial
Total	**7**		**$6,703,478**	**$436,911**	**$361,129**	**$0**	

* The USAC Management Recovery Action may be less than the Monetary Effect as the circumstances did not warrant a recovery of funds (e.g. equipment subsequently installed).

Attachment B

SL2025LR010

Limited Scope Performance Audit
of
Madill Independent School District 2's

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

for Funding Year 2023

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2025LR010

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

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REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

April 13, 2026

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 Madill Independent School District 2 (the Beneficiary), Billed Entity Number 139859, 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. 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 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 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 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. 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 (Finding) 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. Regis & Associates, PC determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Regis & Associates, PC, USAC, or FCC verification, audit, or investigation.

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
April 13, 2026

Audit Results and Recovery Action

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 CFR § 54.507(d)(4)(2022) – E-Rate Funded Equipment Not Installed By the Service Delivery Deadline. The Beneficiary Did Not Install all E-Rate Funded Equipment by the Service Delivery Deadline.	$97	$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. See the chart below for USAC Management's recovery action by FRN.

FRN Number	Recovery Action
2399035997	$0

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
Data Transmission and/or Internet Access	$ 79,553	$ 79,553
Internal Connections	$ 222,351	$ 222,351
Total	**$301,904**	**$301,904**

Note: The amounts committed and disbursed reflect Funding Year 2023 activity, as of the commencement of the audit.

The amount committed total represents two FCC Form 471s with two Funding Request Numbers (FRNs). We selected the two FRNs[1], which represent $301,904 of the funds committed and $301,904 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

Madill Independent School District 2 – Overview
The Beneficiary is a public school district located in Madill, Oklahoma that serves over 1,750 students.

Procedures
We performed the following procedures:

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 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 and direct observation 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 E-Rate program's Children's Internet Protection Act (CIPA) requirements. Specifically, we obtained and

[1] The FRNs included in the scope of this audit were: 2399004994 and 2399035997.

evaluated the Beneficiary's Internet Safety Policy. We 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 whether the price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected Service Providers. We examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

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

D. Site Visit(s)

We performed a physical inventory to evaluate the location and use of equipment and services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the FCC Rules. 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 to determine whether funding was and/or will be 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 for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the SPI Forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements, and eligible in accordance with the E-Rate Eligible Services List.

Detailed Audit Finding

Finding #1: 47 CFR § 54.507(d)(4) (2022) – The Beneficiary Did Not Install All E-Rate Funded Equipment by the Service Delivery Deadline

Condition
The Beneficiary requested category two non-recurring E-Rate Program services for data and wireless distribution equipment (i.e., switches, Aruba mounting brackets for wireless access points, Aruba wireless access points, and subscription licenses) for Funding Year 2023. While the Beneficiary installed the switches and wireless access points, activated the subscription licenses, and made the equipment operational, they did not install all the requested E-Rate Program funded mounting brackets. We noted during the July 7, 2025, physical inventory that 18 mounting brackets funded under FRN 2399035997 remained uninstalled as of September 30, 2024.[2] The table below summarizes the monetary effect of the uninstalled equipment:

FRN Line Item #	Product Type	Model	Qty	Unit Cost	Pre-Discount Charges	Discount Rate	Monetary Effect
2399035997.004	Mounting Bracket Access points	Q9G69A	18	$6.33	$114	85%	$97

We conducted a second virtual site visit on December 2, 2025, and confirmed the mounting bracket access points in the table above were installed and in use.

Cause
The Beneficiary was not aware of the E-Rate Program rules regarding service delivery date for all requested equipment, and their E-Rate consultant did not make them aware. The Beneficiary also stated that the equipment was strategically prepared to address anticipated challenges, such as hardware failures, electrical surges, and the expansion of instructional demands

Effect
The monetary effect of this finding is $97. The Beneficiary installed the equipment after the exception was brought to its attention, and therefore, we do not recommend recovery of the committed funds[3], as the delay in installation was due to human resource limitations and the equipment was subsequently installed upon the audit team's notification of the exception to the Beneficiary.

Recommendation
We recommend that the Beneficiary:

1. The Beneficiary implements policies and procedures to ensure that it complies with the E-Rate Program service delivery requirements and adequate monitoring of compliance deadlines are tracked on an ongoing basis.
2. The Beneficiary can familiarize itself with the FCC rules related to service delivery and extension

[2] FCC Form 500 Instructions, at 1 – Beneficiary did not Submit FCC Form 500 for a Service Delivery Extension Request.

[3] *See* Federal Communications Commission, Letter from Dana R. Shafer, Chief, Wireline Competition Bureau, to Scott Barash, Acting CEO, Universal Service Administrative Company, DA 09-86. (January 16, 2009).

request process at https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/. The Beneficiary can also learn more about the E-Rate program's training opportunities on USAC's website at https://www.usac.org/e-rate/learn/ and keep current on E-Rate news at https://www.usac.org/e-rate/resources/news-brief/

Beneficiary Response:

The Beneficiary concurred with the audit results. See the Beneficiary's full response in Attachment 1.

Auditor's Response:

Since the Beneficiary concurred with our audit results, no additional comment is necessary.

Criteria

Finding	Criteria	Description
# 1	**47 CFR § 54.507(d)(4) (2022)**	(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: (i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; (iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or (iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance.
	FCC Letter DA 09-86 (January 2009)	<u>Equipment Not Utilized:</u> USAC recommended recovery in every instance in which equipment was not utilized: for example, the equipment was installed but not connected to any computers, or some equipment was still in its original packaging and had not been installed. There could be situations that would justify a decision to not recover funds. For example, in one of the audits, Brownsville Independent School District delayed installation of all equipment due to human resource limitations, but anticipated that very shortly all of the equipment would be installed. In this instance, if the equipment was subsequently installed, recovery would not be warranted.
	FCC Form 500 Instructions, at Section 1 – Introduction.	The FCC Form 500, Funding Commitment Adjustment Request Form, is used by the Billed Entity who filed an FCC Form 471, Description of Services Ordered and Certification Form, on behalf of an eligible school, library, library consortium or consortium of multiple entities, and who received a commitment of funds to inform the fund administrator, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC), that it wishes to accomplish one or more of the following: - To adjust the Funding Year Service Start Date reported on

Finding	Criteria	Description
		a previously filed FCC Form 486 for this Funding Year - To adjust the Contract Expiration Date listed on its FCC Form 471 application for this Funding Year - To request an extension of the service delivery and installation deadline for non-recurring services - To cancel irrevocably and totally a Funding Request Number (FRN)

Appendix 1: Beneficiary Response

510 West McArthur
Madill, OK 73446

Phone 580-795-3303
Fax 580-795-3210

Victor Salcedo, Superintendent

November 4, 2025

To Whom It May Concern,

The following is our school district's response to the Universal Service Administrative Company (USAC) Performance Audit for Funding Year 2023. This has been a very educational process for our team and school district as a whole. We acknowledge the findings and appreciate the guidance we received throughout the process, as well as your explanation as to how we can better ensure compliance in future funding requests.

Sincerely,

Victor Salcedo
Superintendent
Madill Public Schools

** This concludes the audit report.**

Attachment C

SL2025SP017

Limited Scope Performance Audit
of
ACCESS Council's
Compliance with the Federal Universal Service Fund
E-Rate Support Mechanism Rules

for Funding Year 2023

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2025SP017

REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
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REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

March 27, 2026

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 ACCESS Council (Service Provider), Service Provider Identification Number (SPIN) 143025648 for Funding Year 2023, using regulations and orders governing the federal Universal Service E-Rate Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the limited scope performance audit.

We 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 we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services provided by the Service Provider to E-Rate Program applicants in the state of Ohio (Selected Beneficiaries), as well as performing other procedures we considered necessary to make a determination regarding the Service Provider'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 examination disclosed one detailed audit finding (Finding) 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 in effect during the audit period. Regis & Associates, PC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Regis & Associates, PC, USAC, or FCC verification, audit, or investigation.

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

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

Sincerely,

Regis + Associates, PC

Regis & Associates, PC
Washington, DC
March 27, 2026

Audit Results and Recovery Action

Audit Results	FRN	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.507(d)(4) (2022) - E-Rate Funded Equipment Not Installed By the Service Delivery Deadline. A Selected Beneficiary did not install E-Rate funded equipment by the required deadline.	2399053392	$34,537	$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 individual Selected Beneficiary involved 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 Service Provider complied with the FCC Rules.

Scope
The following chart summarizes the E-Rate Program support amounts committed and disbursed to the Service Provider for Funding Year 2023 (audit period):

Service Type	Amount Committed	Amount Disbursed
Basic Maintenance of Internal Connections	$17,772	$3,554
Data Transmission and/or Internet Access	$1,250,548	$1,236,982
Internal Connections	$179,668	$179,668
Managed Internal Broadband Services	$96,457	$96,457
Total	**$1,544,445**	**$1,516,661**

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

The amount committed total represents 57 FCC Form 471, *Description of Services Ordered and Certification Form,* applications with 62 Funding Request Numbers (FRNs). We selected 18 FRNs[1] of the 62 funded FRNs, which represent $1,031,933 of the funds committed and $1,027,954 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2023 applications submitted by Selected Beneficiaries.

Background
ACCESS Council is a Regional Council of Governments and is one of 16 Information Technology Centers (ITCs) formerly known as Data Acquisition Sites licensed by the Ohio Department of Education and Workforce Development, formally the Ohio Department of Education. ITCs provide IT shared services to Ohio Department of Education and Workforce Development K-12 districts. Some of its services include accounting, payroll, library automation, Education Management Information System (EMIS), network management, student information systems, video, electronic resources, computerized grade book, parental access, Internet access, web and email filtering, firewall and web security, telephony, server hosting, and data-driven decision support.

[1] The FRNs included in the scope of this audit were: 2399034502, 2399045521, 2399045605, 2399048882, 2399048847, 2399008835, 2399026414, 2399049515, 2399045274, 2399031190, 2399031147, 2399031139, 2399021634, 2399054430, 2399053212, 2399053392, 2399026926, and 2399047936.

Procedures

We performed the following procedures:

A. Eligibility Process

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

B. Competitive Bid Process

We conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced Selected Beneficiaries' competitive bidding process. We reviewed the Service Provider's contracts with Selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the equipment and services requested and purchased to determine whether the Service Provider provided the services requested in Selected Beneficiaries' FCC Form 471. 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 Selected Beneficiaries.

C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoices (SPI) 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 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 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 physical inventories to evaluate the locations and use of equipment and services to determine whether they were delivered, installed, and located in eligible facilities.

E. Reimbursement Process

We obtained and examined the SPIs Forms submitted for the reimbursement for equipment and services delivered to Selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed service provider bills associated with the SPI Forms for equipment and services provided to Selected Beneficiaries. We also determined whether the Service Provider billed Selected Beneficiaries for only the non-discount portion of the cost, or if the Service Provider issued credits on service provider bills it issued to Selected Beneficiaries.

Detailed Audit Finding

47 C.F.R. § 54.507(d)(4) (2022) - E-Rate Funded Equipment Not Installed By the Service Delivery Deadline.

Condition:
Wellsville Local School District (WLSD), Billed Entity Number 129390 did not install E-Rate Program equipment acquired under FRN 2399053392 by the required deadline of September 30, 2024, nor did it request an extension of the installation deadline. We determined WLSD had not installed eight acquired switches and associated modules and licenses, as a result of a virtual site visit held on May 5, 2025. The Service Provider invoiced the cost of the uninstalled equipment in its SPI Form prior to installation. However, WLSD's contract with the Service Provider did not include installation of the equipment. The table below summarizes the details of the uninstalled equipment. There are two modules for each switch.

Product Type	FRN Line Unit Cost (A)	FRN Line Quantity (B)	Total Non-Discount Costs (C=A*B)	Discount Percentage (D)	Total Discounted Cost (E=C*D)
Switch	$3,618	8	$28,944	0.85	$24,602
Module	$452	16	$7,232	0.85	$6,147
License	$557	8	$4,456	0.85	$3,788
Total	**--**	**--**	**$40,632**	**--**	**$34,537**

We conducted a second virtual site visit on June 24, 2025, and confirmed the equipment and licenses in the table above were installed and in use.

Cause:
WLSD did not effectively implement its process and procedures to ensure that equipment acquired using E-Rate Program support funds was installed and put to use within the timeframe required by the FCC Rules. WLSD also indicated that the equipment was not installed in a timely manner, because of staff turnover.[2]

Effect:
The monetary effect of this finding is $34,537 ($40,632 times 85 percent). WLSD installed the equipment after the exception was brought to its attention, and therefore, we do not recommend recovery of the committed funds, as the delay in installation was due to human resource limitations and the equipment was subsequently installed upon the audit team notification of the exception to WLSD.[3]

[2] See Appendix 1: Beneficiary Response

[3] *See* Federal Communications Commission, Letter from Dana R. Shafer, Chief, Wireline Competition Bureau, to Scott Barash, Acting CEO, Universal Service Administrative Company, DA 09-86. (January 16, 2009).

FRN	Monetary Effect	Recommended Recovery
2399053392	$34,537	$0.00

Recommendation:
We recommend WLSD implements controls and procedures to ensure that equipment acquired using E-Rate Program support funds is installed and put to use within the timeframe required by the FCC Rules.

Beneficiary Response:
WLSD agreed with the Finding and provided its action plan. Refer to Appendix 1 for the entire response.

Auditor Response:
Since WLSD agreed with the finding, no further response is necessary.

Criteria

Criteria	Description
47 C.F.R. § 54.507(d)(4) (2022)	(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: (i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; (iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or (iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance.
FCC Guidance Letter, DA 09-86 (January 2009)	<u>Equipment Not Utilized:</u> USAC recommended recovery in every instance in which equipment was not utilized: for example, the equipment was installed but not connected to any computers, or some equipment was still in its original packaging and had not been installed. There could be situations that would justify a decision to not recover funds. For example, in one of the audits, Brownsville Independent School District delayed installation of all equipment due to human resource limitations, but anticipated that very shortly all of the equipment would be installed. In this instance, if the equipment was subsequently installed, recovery would not be warranted.

Appendix 1: Beneficiary Response

Wellsville Local School District

472 14th Street

Wellsville, OH 43968

Telephone: (330)532-0075 Fax: (330)362-9075

David Cappuzzello
Superintendent

Maia Amato
Treasurer

March 24, 2026

Response to Finding: 47 C.F.R. § 54.507(d)(4) (2022) – E-Rate Funded Equipment Not Installed by Required Deadline

We acknowledge the updated Notice of Findings and Recommendations regarding the late installation of E-Rate-funded equipment under FRN 2399053392. The delay in installation was primarily due to staffing changes within the Technology Department, which temporarily affected project execution and oversight.

We understand the importance of meeting the September 30 implementation deadline for non-recurring services, as outlined in 47 C.F.R. § 54.507(d)(4). We also recognize the FCC's guidance in Letter DA 09-86 (January 2009), which notes that recovery is not warranted when installation delays are caused by human-resource limitations and the equipment is subsequently installed and operational, as in this case.

To prevent similar delays in the future, the Wellsville Local School District **is reviewing options** to strengthen its internal processes, such as:

- **Assigning a designated E-Rate coordinator** to monitor delivery and installation timelines.
- **Establishing a centralized E-Rate project calendar** to help track milestones and deadlines.
- **Developing documented procedures** to ensure project continuity in the event of staffing changes.

We appreciate the opportunity to address this finding and will continue working to ensure full compliance with FCC and USAC E-Rate program requirements.

Sincerely,

Ryan Jackson
IT Coordinator
Wellsville Local School District
Kjackson@wellsville.k12.oh.us
330-532-1188 Ext 2111

** This concludes the audit report.**

Attachment D

SL2024SP027

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

WHALLEY COMPUTER ASSOCIATES, INC.

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

USAC AUDIT NO. SL2024SP027

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
WHALLEY COMPUTER ASSOCIATES, INC.
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES

Executive Summary

January 15, 2026

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 LLC[1] (referred to as "Sikich" or "we") audited the compliance of Whalley Computer Associates, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143004498, 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 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 reviewing, 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 Connecticut, Massachusetts, Ohio, Pennsylvania, Rhode Island, and West Virginia (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.

[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 five detailed audit findings (Findings) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period. Sikich's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Sikich, USAC, or FCC verification, audit, or investigation.

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

Audit Results and Commitment Adjustment/Recovery Action

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

Audit Results	Monetary Effect	USAC Recovery Action
Finding No. 1, 47 C.F.R. § 54.507(d)(4) (2021) – E-Rate Funded Equipment Not Installed by Required Deadline. Four Beneficiaries did not install E-Rate equipment by the relevant service delivery deadlines.	$377,664	$350,379
Finding No. 2, 47 C.F.R. § 54.502(d)(6) (2021) – Service Provider Invoiced the E-Rate Program for Equipment Installed at a Non-Instructional Facility (NIF). The Service Provider invoiced the E-Rate program for equipment that it installed at ineligible NIFs.	$6,470	$6,470
Finding No. 3, 47 C.F.R. § 54.502 (d)(6) (2021) – Beneficiary Installed Funded Equipment in an Ineligible Facility. One Beneficiary installed E-Rate funded equipment at an ineligible facility.	$3,680	$3,680
Finding No. 4, 47 C.F.R. § 54.523 (2021) – Beneficiaries Did Not Pay their Non-Discount Share to the Service Provider. Four of the selected Beneficiaries did not pay the non-discounted portion of their bills.	$14,463	$600
Finding No. 5, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2– Service Provider Invoiced USAC Before Services were Rendered. The Service Provider invoiced the E-Rate	$0	$0

Audit Results	Monetary Effect	USAC Recovery Action
program for recurring services at the beginning of each quarter, which caused the Service Provider to invoice the E-Rate program for services that had not yet been rendered.		
Total Net Monetary Effect	**$402,277**	**$361,129**

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 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 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/e-rate/service-providers/step-5-invoicing/
- https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/
- https://www.usac.org/e-rate/applicant-process/before-you-begin/non-instructional-facilities-nifs/
- https://www.usac.org/e-rate/applicant-process/before-you-begin/school-and-library-eligibility/
- https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/
- https://www.usac.org/e-rate/applicant-process/invoicing/

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

Finding	BEN	Application Number	FRN	Recovery Amount
1	120392	221024715	2299034175	$312,681
1	231272	221035037	2299053331	$16,319
1	231272	221035037	2299052578	$2,898
1	231272	221035037	2299051822	$1,992
1	231272	221035037	2299053308	$2,445
1	231272	221035037	2299052408	$457
1	231272	221035037	2299053348	$13,587
2	120147	221000927	2299002080	$6,470
3	120272	221036846	2299055679	$3,680
4	16061942	221029003	2299041467	$600
			Total	**$361,129**

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for Funding Year (FY) 2022. The Service Provider provides basic maintenance of internal connections, data transmission and/or internet access, internal connections, and managed internal broadband connections to customers in Massachusetts, Connecticut, Vermont, New Hampshire, Ohio, Rhode Island, Pennsylvania, and West Virginia. It is headquartered in Southwick, Massachusetts.

The following chart summarizes the E-Rate support amounts committed and disbursed for the Service Provider's FY 2022 equipment and services as of April 17, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$4,025,631	$3,373,321
Basic Maintenance of Internal Connections	$56,968	$38,404
Managed Internal Broadband Services	$240,281	$205,727
Internet Access	$1,372,979	$1,267,461
Total	**$5,695,859**	**$4,884,913**

The “amount committed” total represents 166 FCC Form 471 *Description of Services Ordered and Certification* applications submitted by Beneficiaries for FY 2022 that resulted in 218 Funding Request Numbers (FRNs). We selected a sample of 40 of the FRNs,[2] which represent $1,731,744 of the funds committed and $1,686,734 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. Specifically, we conducted inquiries with 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.

B. Competitive Bid Process
We conducted inquiries and reviewed 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 471. We also reviewed 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 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 equipment and services purchased with universal service discounts and did not provide rebates, including free services or products.

[2] Our sample included FRNs 2299041459, 2299015600, 2299028124, 2299044920, 2299034175, 2299035948, 2299040350, 2299030781, 2299054155, 2299002080, 2299057677, 2299043009, 2299043012, 2299046439, 2299037074, 2299055579, 2299041037, 2299016579, 2299053348, 2299053331, 2299052578, 2299051822, 2299053308, 2299052408, 2299048953, 2299053496, 2299022373, 2299047337, 2299025588, 2299013925, 2299055679, 2299043017, 2299007438, 2299041097, 2299041467, 2299014105, 2299012327, 2299057991, 2299056392, and 2299057936.

D. Site Visits

We performed virtual inspections to confirm the location and use of the sampled 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 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 Findings

Finding No. 1, 47 C.F.R. § 54.507(d) (4) (2021) – E-Rate Funded Equipment Not Installed by Required Deadline

Condition

The Service Provider executed contracts with selected Beneficiaries to provide and/or install E-Rate funded equipment. The equipment purchased by four selected beneficiaries was not installed by required deadlines. The chart below summarizes the equipment and services requested by these four Beneficiaries and indicates whether the Service Provider was responsible for providing and/or installing the E-Rate funded equipment.

BEN	BEN Name	FRN	Equipment	Installation
120392	City of Lowell	2299034175	Y	Y
201020	Klingberg Family Center	2299055579	Y	N
120052	Ludlow School District	2299016579	Y	N
231272	Massachusetts Dept of Youth Services	2299053331	Y	N
		2299052578	Y	N
		2299053308	Y	N
		2299051822	Y	N
		2299052408	Y	N
		2299053348	N	Y

Specifically:

- **City of Lowell (BEN 120392).** The Beneficiary purchased $390,851 in equipment under FRN 2299034175.[3] In response to our initial Beneficiary questionnaire in May 2024, the Beneficiary stated that:
    - It had scheduled installation of this equipment to take place during summer 2023; however, as a result of supply chain issues, it did not receive the equipment until after the September 30, 2023 service delivery deadline.
    - It did not submit a service delivery extension request to USAC because it was not aware that it needed to do so.
    - Although it has since received the equipment, the Service Provider had not yet installed the equipment because the installation would disrupt services during the school year.

Part Number	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
JL661A	44	$5,275	$232,100
Q9Y80AAE	44	$995	$43,780
JL087A#ABA	88	$545	$47,960
JL669A	44	$225	$9,900
JL486A	14	$1,912	$26,768
R0M46A	33	$149	$4,917
R0M47A	10	$229	$2,290
5PX2200RTN	16	$1,409	$22,544
AR201	4	$148	$592
Total			**$390,851**

  We followed up with the Beneficiary via email in April 2025 and the Beneficiary confirmed that the equipment had still not yet been installed.[4]

- **Klingberg Family Center (BEN 201020).** We reconciled the Beneficiary's fixed asset listing (FAL) to the Service Provider's bills and SPI Form for FRN 2299055579 and identified 12 switches with a total cost of $26,184 that had not been installed by the service delivery deadline.

[3] The Service Provider also invoiced the E-Rate program for installation of this equipment which had not been performed. However, as Whalley refunded USAC for the over-invoiced installation costs prior to our audit, we did not take exception to those amounts.
[4] Email from Lowell Public Schools, Director of Technology to Sikich (April 21, 2025).("The equipment has not been installed as we were waiting to see if the audit would clear.")

Part Number	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
JL677A#ABA	6	$1,731	$10,386
JL675A#ABA	6	$2,633	$15,798
Total			**$26,184**

The Service Provider billed USAC for the equipment that was shipped on June 29, 2023. We reviewed the service delivery deadline report and determined that the Beneficiary received the equipment and requested and received an extension to install the equipment by September 30, 2024. However, we followed up with the Beneficiary via email on October 7, 2024, and found that the Beneficiary had not yet installed the equipment. In response to the audit report, the Beneficiary noted that the equipment was installed on October 22, 2024.

- **Ludlow School District (BEN 120052).** We reconciled the Beneficiary's FAL[5] to the Service Provider's bills and SPI Form for FRN 2299016579 and identified 16 access points (APs) and 9 related licenses with a total cost of $8,382 that the Beneficiary had not installed by the September 30, 2023 service delivery deadline.

Description	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
ExtremeCloud IQ Indoor WiFi 6 AP	16	$480	$7,681
ExtremeCloud IQ Pilot Tier 0 CLOUD RTU License 1Yr	9[6]	$78	$701
Total			**$8,382**

The Service Provider billed the Beneficiary for this equipment on December 30, 2022. The Beneficiary attributed the late installation to supply chain issues; however, we noted that the other funded equipment was installed by January 2023. In response to our email inquiry sent on April 11, 2025, the Beneficiary confirmed that the remaining equipment was installed between February 18-21, 2025.

- **Massachusetts Dept of Youth Services (BEN 231272).** We reconciled the Beneficiary's FAL[7] to the Service Provider's bills and SPI Form for FRN 2299053331 and identified equipment with a total cost of $19,199 (see table below) that the Service Provider had not installed by the September 30, 2023 service delivery deadline. The FAL indicated that the

[5] The Beneficiary's FAL provided on June3, 2024 indicated that the equipment had not yet been installed.
[6] Because the Beneficiary did not request funding for a license for each access point, we only questioned the cost of licenses associated with the uninstalled access points.
[7] The Beneficiary's FAL provided on May 13, 2024, indicated that the equipment had not yet been installed.

Beneficiary had not yet installed this equipment because the building in which it had planned to install the equipment closed prior to the scheduled installation.

Part Number	Location	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
16535	Westboro	1	$4,338.39	$4,338
XCIQ-PT0440-CEW-3YK12		1	$162.79	$163
10051H		5	$205.02	$1,025
X435-8P-4S		16	$370.23	$5,924
XCIQ-PT1-C-EW-3YR-K12		16	$162.79	$2,605
SMT1500C		1	$538.08	$538
AP305C-1-FCC		8	$206.79	$1,652
XCIQ-PT0-C-EW-3YR-K12		8	$162.79	$1,302
SMT3000RM2UC		1	$1,652.22	$1,652
Total				**$19,199**

- **Massachusetts Dept. of Youth Services (BEN 231272).** We reconciled the Beneficiary's FAL[8] to the Service Provider's bills and SPI Form for FRNs 2299052578, 2299053308, 2299051822, and 2299052408 and identified several pieces of equipment and related licenses that the Beneficiary had not installed as of the September 30, 2023 service delivery deadline. The Beneficiary stated that the Service Provider had not installed the switches because (1) the classrooms transitioned to wireless devices prior to the installation date, (2) it did not have the required infrastructure cabling in place to support the access points, and (3) the existing Uninterruptible Power Supplies (UPS) were operational. We identified $9,166 in uninstalled equipment on these FRNs as follows:

[8] The Beneficiary's FAL provided on May 13, 2024, indicated that the equipment had not yet been installed.

FRN	Location	Part Number	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
2299052578	OCY Brockton Boys Program	SMT1500C	1	$538.08	$538
		X435-8P-4S	4	$370.23	$1,481
		XCIQ-PT1-C-EW-3YR-K12	4	$162.79	$651
		AP305C-1-FCC	2	$206.51	$413
		XCIQ-PT0-C-EW-3YR-K12	2	$162.79	$326
				Subtotal	***$3,409***
2299053308	RFK Girls	SMT1500C	1	$538.08	$538
		X435-8P-4S	3	$370.23	$1,111
		XCIQ-PT1-C-EW-3YR-K12	3	$162.79	$488
		AP305C-1-FCC	2	$206.51	$413
		XCIQ-PT0-C-EW-3YR-K12	2	$162.79	$326
				Subtotal	***$2,876***
2299051822	Community Adolescent Treatment Program (CATP)	X435-8P-4S	2	$370.23	$740
		XCIQ-PT1-C-EW-3YR-K12	2	$162.79	$326
		SMT1500C	1	$538.08	$538
		AP305C-1-FCC	2	$206.51	$413
		XCIQ-PT0-C-EW-3YR-K12	2	$162.79	$326
				Subtotal	***$2,343***
2299052408	Harvard House	SMT1500C	1	$538.08	$538
				Subtotal	***$538***
Total					**$9,166**

- **Massachusetts Dept. of Youth Services (BEN 231272).** During our testing we noted that FRN 2299053348 related to the installation of internal connections funded under various FRNs for which all equipment had not yet been installed. Further, we found that the Service Provider invoiced the E-Rate program under this FRN for the total installation amounts agreed upon in the contract, rather than the amounts for installations the Service Provider actually performed.[9] To determine the amount of the FRN related to uninstalled equipment, we calculated the percentage of equipment that the Service Provider did not actually install. We then applied this "uninstalled" percentage to the total

[9] Universal Service for Schools and Libraries Service Provider Annual Certification Form 473, OMB 3060-0856, Block 2 (2022) (Certifying that the invoices are accurate and that they "represent payment … for equipment and services provided.").

installation costs invoiced for each affected FRN. Based on this calculation, we identified $15,985 in installation costs associated with uninstalled equipment as follows:

FRN Installation Cost Related To	Location	Installation Cost
2299053331	Westboro	$11,388
2299052578	OCY Brockton Boys Program	$1,690
2299053308	RFK Girls	$1,443
2299051822	CATP	$1,220
2299052408	Harvard House	$244
Total		**$15,985**

Cause
The Beneficiaries did not have sufficient controls in place to ensure they either installed equipment by the funding year service delivery deadline or that they requested—and adhered to—a service delivery extension from USAC upon determining that they would be unable to install the equipment by the deadline. Additionally, the Service Provider did not adjust the amounts it invoiced for installation that did not occur.

Effect
The Service Provider invoiced USAC for $469,767 in equipment and installation services that were not effectively used until after the service delivery deadline. As a result, the monetary effect for this finding is $377,664 ($469,767 multiplied by each Beneficiary's discount rate, as applicable).

However, based on Beneficiary responses to the report and subsequent virtual site visits performed, because the $22,256 ($26,184 pre-discount) in equipment funded by FRN 2299055579 and the $5,029 ($8,382 pre-discount) in equipment funded by FRN 2299016579 had been subsequently installed, we are not recommending recovery for those two FRNs.[10]

[10] Letter from Dana R. Shafer, Chief, Wireline Competition Bureau, Federal Communications Commission to Scott Barash, Acting CEO, Universal Service Administrative Company, DA 09-86 (Jan. 16, 2009).

Support Type	Pre-Discount Amount (A)	Discount Rate (B)	Monetary Effect (C)= (A)*(B)	Recommended Recovery
Internal Connections FRN 2299034175	$390,851	80%	$312,681	$312,681
Internal Connections FRN 2299055579	$26,184	85%	$22,256	$0
Internal Connections FRN 2299016579	$8,382	60%	$5,029	$0
Internal Connections FRN 2299053348	$15,985	85%	$13,587	$13,587
Internal Connections FRN 2299053331	$19,199	85%	$16,319	$16,319
Internal Connections FRN 2299052578	$3,409	85%	$2,898	$2,898
Internal Connections FRN 2299051822	$2,343	85%	$1,992	$1,992
Internal Connections FRN 2299053308	$2,876	85%	$2,445	$2,445
Internal Connections FRN 2299052408	$538	85%	$457	$457
Total	**$469,767**		**$377,664**	**$350,379**

Recommendations
We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.

2. The Beneficiaries develop policies and procedures to ensure that they install E-Rate-funded equipment by the funding year service delivery deadline or request a service delivery extension from USAC if they are unable to install equipment by the deadline.

3. The Service Provider develop policies and procedures to ensure that it does not invoice the E-Rate program for installation that is not performed.

Beneficiary Responses
City of Lowell
It is our understanding that the service provider, 2. Whalley Computer Associates, Inc., has returned funding associated with FRN 2299034175. Lowell Public Schools have drafted policies and procedures to implement timely installation of E-Rate funded equipment and/or service delivery extension requests. These policies and procedures include key areas and provides implementation strategies:

I. *Policy: E-Rate Equipment Installation and Service Delivery Extensions*

a. *Purpose: To establish a clear framework for managing E-Rate funded equipment installation and service delivery extension requests, ensuring compliance with USAC rules and maximizing the benefits of E-Rate funding.*
b. *Scope: This policy applies to all E-Rate funded equipment purchases and installations managed by Lowell Public Schools.*
c. *Policy Statements:*
    i. *All E-Rate funded equipment must be installed and service activated by the funding year service delivery deadline.*
    ii. *If installation and service activation cannot be completed by the deadline, a service delivery extension request must be submitted to USAC before the deadline.*
    iii. *A designated E-Rate Coordinator will be responsible for overseeing the installation process and managing extension requests.*
    iv. *Detailed records of all installation activities and extension requests will be maintained.*
    v. *Regular communication between the E-Rate Coordinator, vendors, and school sites is essential.*
d. *Definitions: (Include definitions for terms like "service delivery deadline," "service delivery extension," "E-Rate Coordinator," etc.)*

II. *Procedures:*
a. *Pre-Installation Phase:*
    i. *Needs Assessment & Planning: Before applying for E-Rate funding, conduct a thorough needs assessment to determine the appropriate equipment and installation requirements. Consider potential challenges and timelines.*
    ii. *Vendor Selection: Select vendors with proven track records of timely installation and responsiveness. Include installation timelines and penalties for delays in vendor contracts.*
    iii. *Project Management Plan: Develop a detailed project management plan for each E-Rate funded project, outlining timelines, responsibilities, and key milestones. This should include site surveys, equipment ordering, scheduling, and acceptance testing.*
    iv. *Communication Plan: Establish a communication plan to keep all stakeholders (E-Rate Coordinator, school site personnel, vendors) informed of project progress.*
b. *Installation Phase:*
    i. *Order Tracking: Implement a system for tracking equipment orders and deliveries. Ensure timely delivery of all necessary components.*
    ii. *Installation Scheduling: Coordinate installation schedules with vendors and school sites, minimizing disruptions to school operations. Confirm dates and times in writing.*
    iii. *Installation Oversight: The E-Rate Coordinator or a designated representative should oversee the installation process to ensure it meets specifications and timelines.*

iv. Progress Monitoring: Regularly monitor installation progress against the project management plan. Identify and address any potential delays promptly.

v. Documentation: Maintain detailed records of all installation activities, including dates, times, vendor information, and any issues encountered.

c. Service Delivery Extension Request Process:

i. Early Identification of Potential Delays: Proactively identify any factors that may prevent installation and service activation by the deadline. This should be done well in advance of the deadline.

ii. Documentation of Justification: Gather all necessary documentation to support the extension request. This may include vendor delays, construction issues, or other unforeseen circumstances. USAC requires strong justification.

iii. Completion of Extension Request Form: Complete the USAC service delivery extension request form accurately and thoroughly.

iv. Submission of Extension Request: Submit the extension request to USAC before the service delivery deadline. Keep proof of submission.

v. Follow-up with USAC: Follow up with USAC to ensure the extension request is processed and approved.

d. Post-Installation Phase:

i. Acceptance Testing: Conduct thorough acceptance testing to ensure the equipment is functioning as intended.

ii. Documentation of Completion: Document the completion of installation and service activation, including dates, test results, and vendor sign-off.

iii. Payment Processing: Process vendor invoices promptly after successful installation and acceptance testing.

e. Implementation:

i. Training: Provide training to all relevant personnel (E-Rate Coordinator, school site staff) on the E-Rate equipment installation and service delivery extension policies and procedures.

ii. Tools and Resources: Provide the E-Rate Coordinator with the necessary tools and resources to manage the installation process, including project management software, tracking systems, and access to USAC resources.

iii. Regular Review: Regularly review and update the policies and procedures to ensure they remain effective and compliant with USAC rules.

iv. Auditing: Conduct periodic audits of E-Rate funded projects to ensure compliance with the established policies and procedures.

f. Key Considerations:

i. Communication is Crucial: Establish clear communication channels between all stakeholders.

ii. Proactive Approach: Proactively identify and address potential delays. Don't wait until the last minute.

iii. Documentation is Essential: Maintain meticulous records of all activities. This is critical for both internal management and USAC audits.

iv. *USAC Deadlines are Strict: Be aware of and adhere to all USAC deadlines. Missing a deadline can jeopardize funding.*

By implementing these policies and procedures, Lowell Public Schools can significantly improve its management of E-Rate funded equipment installations and minimize the risk of missed deadlines and lost funding.

Auditor Response
The amount we questioned in the finding did not include the $49,600 related to installation of uninstalled switches, UPSs and other related equipment as the Service Provider had refunded USAC for this amount prior to our audit testing, as noted in Footnote 3. As such, we have made no changes to the report finding.

Klingberg Family Center
We disagree with your statement "The Beneficiary did not make effective use of $26,184 in equipment purchased and received from the Service Provider". We did make effective use of the equipment purchased and installed through E-Rate. Although the equipment was installed slightly later than September 30, 2024. The equipment was installed on October 22 which is within 30 days of the September 30th date. If Klingberg had requested an additional extension via a Form 500, it would most likely have been approved which would have extended the September 30th date from 2024 to 2025. We would have provided documentation from the service provider for this justification. Compared to all E-Rate funding disbursed in FY2022, the amount suggested for recovery should be considered de-minimis.

*On September 30, 2021 under DA-21-1231 the FCC issued a Streamlined Resolution of requests related to actions by USAC that specifically addresses the issues found during this audit. In footnote 4, it is codified that the FCC "**waive sections 54.507(d) and 54.514(a) of the Commission's rules and direct USAC to waive any procedural deadline that might be necessary to effectuate our ruling. See 47 CFR § 54.507(d) (requiring non-recurring services to be implemented by September 30 following the close of the funding year); 47 CFR § 54.514(a) (codifying the invoice filing deadline)**." Based on precedence, the FCC has waived related cases for non-recurring services to be implemented by September 30. Based on this determination, it is believed the FCC will ultimately overturn any adverse ruling that results from this audit.*

We urge USAC management to consider that the date of installation took place less than 30 days after the September 30, 2024 date. It was one thing if the equipment was not installed, but it was in fact installed within 30 days of the deadline. If USAC pursues any recovery or takes any adverse action on the findings of this audit by issuing a Commitment Adjustment or any Demand Payment Letter, Klingberg will appeal any such decision by requesting a waiver to the Federal Communications Commission (FCC), and its Chairman Brendan Carr. We will also engage Connecticut State Senators Richard Blumenthal and Chris Murphy for full transparency since USAC should have considered precedent already established by the FCC. Seeking recovery of any such funds will create a significant financial hardship for Klingberg. It is possible that with recovery of such a significant amount, Klingberg may be forced reduce some programs which *will negatively affect its student population. Klingberg Family Center serves a particular population of children who have experienced severe trauma, abuse, neglect, or significant family problems. Each child who attends school has a unique, complex need, that must be addressed. USAC as the program administrator, must take this into account. It would not reflect well on USAC and the FCC to take issue with a school who serves an underprivileged and special needs student population.*

In summation, based on USAC Open Data Records, the total amount of E-Rate funds disbursed in 2022 were approximately $2,700,613,132.46. The suggested recovery of $22,256.00 is 0.00000824% of the disbursed funds. It would be considered egregious that USAC would recover any funds that are the most miniscule percentage of disbursed funds from a school which serves a special needs student population. We urge USAC management to take into account the small portion of funding this audit impacts and consider the amount de-minimis and take no further action, in addition to consideration of the precedence given by the FCC to waive any rule. Thank you.

Auditor Response
As the Beneficiary's response indicated that the equipment identified in this finding had been installed, we performed a virtual site visit on January 15, 2026 and verified that the Beneficiary had installed the equipment. We therefore removed our recommendation that the amounts disbursed for this FRN be recovered (per FCC Letter DA 09-86).

Ludlow School District
To Whom It May Concern:

We are writing in response to the audit finding regarding the installation deadline for E-Rate-funded equipment under FRN 2299016579. We appreciate the opportunity to provide clarification and outline corrective measures to ensure compliance with E-Rate program requirements.

Response to Finding
We acknowledge that the 16 access points and 9 related licenses, totaling $8,382, were not installed by the September 30, 2023, deadline. The delay was due to supply chain issues on the specific model access point we submitted for E-Rate purchase. While we made every effort to complete installation in a timely manner, circumstances beyond our control impacted our ability to do so.

Corrective Action Plan
To prevent such delays in the future, Ludlow School District has implemented the following measures:

1. *Enhanced Project Management Controls: We have established stricter internal timelines and assigned dedicated personnel to oversee E-Rate-funded equipment deployment to ensure adherence to USAC deadlines.*

2. *Timely Service Delivery Extension Requests: Moving forward, if delays are anticipated, we will proactively request a service delivery extension from USAC before the deadline.*
3. *Improved Vendor Coordination: We are working closely with service providers to ensure timely delivery and installation of equipment.*
4. *Internal Training & Compliance Monitoring: Staff responsible for E-Rate procurement and implementation will undergo additional training on program deadlines and compliance requirements.*

Request for Consideration
Given the extenuating circumstances, we respectfully request that USAC reconsider the recovery of the $5,029. Returning the funding will have a negative impact for the school district when budgets are already tight. We are committed to utilizing the E-Rate program effectively to benefit our students and ensure future compliance with all program requirements. Please let us know if further documentation is required. We appreciate your consideration of our response.

Auditor Response
As the Beneficiary's response indicated that the equipment identified in this finding had been installed, we performed a virtual site visit on January 15, 2026, and verified that the Beneficiary had installed the equipment. We therefore removed our recommendation that the amounts disbursed for this FRN be recovered (per FCC Letter DA 09-86).

Massachusetts Dept. of Youth Services
The Massachusetts Department of Youth Services (DYS) is the Commonwealth's Juvenile Justice system which is dedicated to youth in its care and custody. Youth are placed at DYS by the Court and as such, DYS' population fluctuates daily. Because the fluctuation in its population, DYS frequently adjusts the number of its programs—closing some and opening others to align with the evolving population and its needs.

DYS currently operates 34 residential programs at 23 individual sites across the state. Each site contains one or more self-contained programs, each of which has its own educational space. DYS contracted with Whalley Computer Associates (WCA) to install all E-rate equipment over the course of two years (7/1/2021-6/30/2023). Some of the sites identified for equipment and installation at the time of the Form 471 funding application (March 2022) either closed or no longer needed the equipment before the installation period more than one year later (July-Aug 2023).

DYS had fiscal controls in place to ensure the timely installation of all remaining equipment. WCA completed equipment installation approximately six weeks before the service delivery deadline.

WCA submitted all SPIs (Service Provider Invoices) to USAC and received all E-rate disbursements for equipment and installation expenses, including for the equipment that was not utilized. WCA applied the E-rate commitment as a credit to our bill, and we paid WCA our 15% share of the total cost. DYS is prepared to return the unused equipment to WCA. While DYS did *not install unneeded equipment and its contractor improperly invoiced USAC, DYS has put in place stronger oversight to ensure adherence to E-rate including identifying an individual to provide oversight of any future E-rate installations. Moving forward, DYS will train any staff supervising the procurement of equipment for installation and/or staff supervising the procurement of a vendor to install E-rate related equipment to ensure their familiarity and understanding of E-rate regulations. In the event unexpected delays or installation issues arise, DYS will consult with E-rate experts or the USAC to ensure compliance with regulatory controls.*

Service Provider Response

WCA provided our E-Rate Standard Operating Procedure (SOP) document during the request for information (RFI) period of the current audit. Within the SOP we detailed steps and procedures for the various stages of E-Rate, i.e., prior to the order, after the order, and documentation to be collected throughout entire project.

Specific to services/installation, one of the required documents WCA's E-Rate team requests prior to invoicing USAC for reimbursement, is the Project Completion Signoff (alternatively Proof of Completion, 'POC'). Not only is the POC required on all service/install projects, but it must be signed and dated by the Applicant. The signoff and date provide our team the additional detail to reconcile against the FRN and to verify completed by/invoice by dates, as well as validating service totals in the original Scope against the FCDL.

Prior to requests for reimbursement (474 SPI Form), our current procedures require the appropriate team members to provide the following documents.

- *original 470 quote*
- *scope of work when applicable for services*
- *Applicant award letter/ Intent to purchase*
- *FCDL*
- *Applicant PO*
- *invoice after all product is delivered/services are completed,*
- *proof of delivery*
- *POC*
- *confirmation of Applicant payment*
- *confirmation of reimbursement from USAC.*

Auditor Response

As the Beneficiary and Service Provider's policies and procedures did not prevent the Service Provider from invoicing USAC for installation that had not been performed under FRN 2299053348, we made no changes to the finding.

<u>Finding No. 2, 47 C.F.R. § 54.502(d)(6) (2021) – Service Provider Invoiced the E-Rate Program for Equipment Installed at a NIF</u>

Condition

The Service Provider invoiced the E-Rate program for $8,087 in equipment costs and installation services for equipment it installed at an ineligible NIF[11] under FRN 2299002080 for Greenfield Public School District (BEN 120147). The Service Provider installed the equipment at the Beneficiary's Central Office, which the Beneficiary identified as a NIF on its Form 471.

Part Number	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
AP4000	13	$501.62	$6,521
N/A; Install	13	$120.44	<u>$1,566</u>
Total			**<u>$8,087</u>**

The Beneficiary stated that it believed the Central Office was an eligible location because the district offers tutoring services there, and these services require the students to have access to online resources. We requested[12] a network map from the Beneficiary that showed the layout of the district's network and the Beneficiary confirmed that the Central Office network is "entirely separate networks with separate internet connections, IP Schemes, firewalls, servers, etc."

Because the NIF location doesn't include classrooms or offer "activities that are integral, immediate, and proximate to the education of students," the Service Provider should not have included either the cost of the equipment or the installation costs in the SPI Forms it submitted to USAC.

Cause

The Service Provider did not have adequate controls in place to ensure that it only invoiced the E-Rate program for equipment and services provided to eligible locations. Additionally, the Beneficiary lacked controls to ensure that E-Rate funded equipment is only installed in eligible locations.

[11] *Service Provider Annual Certification (SPAC) Form*, FCC Form 473, OMB 3060-0856, at Block 2 (2022); *Service Provider Invoice* (SPI) Form, FCC Form 474, OMB 3060-0856 at Block 3 (2022); see also *Federal-State Joint Board on Universal Service Changes to the Board of Directors for the National Exchange Carrier Association, Inc.*, Order on Reconsideration and Fourth Report and Order, 19 FCC Rcd 15252, FCC 04-181, para. 15 (2004) (noting that the service provider is likely to be the responsible party if it delivers services that were not approved for funding under the Form 471).

[12] We sent an email on April 11, 2025, requesting the network map and the Beneficiary responded on April 16 with the network map. We followed up with the Beneficiary on June 17, 2025, and obtained clarification on the network at the Central Office.

Effect
The Service Provider invoiced the E-Rate program for $8,087 in equipment and services provided to an ineligible location. As a result, the monetary effect for this finding is $6,470 ($8,087 multiplied by the Beneficiary's 80% discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2299002080	$6,470	$6,470

Recommendations
We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.

2. The Service Provider implement controls to ensure that it only invoices the E-Rate program for equipment installed at eligible locations.

3. The Beneficiary implement controls to ensure that E-Rate funded equipment is only installed at eligible locations.

Beneficiary Response
The district agrees with the finding and will take steps to ensure that future reimbursement requests through the e-rate program are appropriate, including but not limited to the use of third-party e-rate consultants.

Service Provider Response
In our review of; Greenfield Public's 470 (220005723) and subsequent 471 (221000927) associated with FRN 2299002080, and Somerset Berkley's 470 (220016513) and subsequent 471 (221029003) associated with FRN 229904146, Had Whalley Computer Associates, Inc. knowledge of equipment and/or services requested to be provided in designated non-instructional facility (NIF), we would not have provided quotes in response to the 470's containing equipment and/or services specifically identified for a NIF.

As the Service Provider, we rely on the Applicant and their E-Rate Consultant to provide true and accurate information to the best of their ability. When the Applicant posts a 470, we have a dedicated E-Rate team responsible for reviewing 470's and questions that arise during that review process are then followed up in accordance with the guidelines detailed in the 470. As it pertains to NIF, if an Applicant or their E-Rate Consultant do not identify a specific location as NIF, it has been our understanding the Service Provider would not bear the onus of challenging NIF locations, believed by the Applicant and/or their E-Rate Consultant, to be eligible locations for receiving E-Rate equipment and/or services. As a result of this finding, however, our internal 470 review process calls additional attention to NIF by reiterating NIF designated locations are not eligible for equipment and/or services.

Auditor Response

Although the Beneficiary agreed with the finding, we noted that the corrective action described by the Beneficary is not entirely responsive to the audit recommendation. The Beneficiary should consider implemntting additional conterols to ensure that E-Rate funded equipment is not installed at inelgible locations. Additionally, as the Service Provider had access to the Beneficiary's Form FY 2022 471, which identified the recipients of services for the FRN, the Service Provider should not have invoiced the E-Rate program for equipment installed at the NIF. As such, we have made no changes to the report finding.

Finding No. 3, 47 C.F.R. § 54.502(d)(6) (2021) – Beneficiary Installed Funded Equipment in an Ineligible Facility

Condition

One of the selected Beneficiaries, Oxford School District (BEN 120272), purchased and then installed a switch and transceivers funded under FRN 2299055679 at the Oxford Public Library, which is not a part of the school district entity and was not included on the FCC Form 471.

Part Number	Quantity (A)	Unit Price (B)	Total Price (C)=(A)*(B)
JL075A	1	$5,174	$5,174
J4859D	5	$192	$960
Total			**$6,134**

The Beneficiary noted that the town-owned fiber that connects the school buildings meets at the town library. Accordingly, the Beneficiary determined that it should install the equipment at the town library to connect all the school buildings that have a shared broadband connection to share resources and network connections. The Beneficiary confirmed that Oxford School District is the only entity accessing the switch at the Oxford Public Library.

Cause

The Beneficiary did not have sufficient policies or procedures in place to ensure it only installed E-Rate-funded equipment in eligible locations.

Effect

The E-Rate funded equipment was installed at an unapproved location that is inconsistent with FCC Rules. As a result, the monetary effect for this finding is $3,680 ($6,134 multiplied by the Beneficiary's 60 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2299055679	$3,680	$3,680

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.

2. The Beneficiary strengthen its policies and procedures for installing E-Rate-funded equipment to ensure it only installs E-Rate-funded equipment in eligible, approved locations.

Beneficiary Response
The switch located at the Oxford Public Library will need to stay at that location as it connects all of the schools on the network design. We can reimburse USAC for the discount they covered initially ($3,680). I may require a W9 form from USAC in order to add them as a vendor for payment as they are currently not in our system.

Finding No. 4, 47 C.F.R. § 54.523 (2021) – Beneficiaries Did Not Pay their Non-Discount Share of Costs to the Service Provider

Condition
Four of the selected Beneficiaries either have not paid or did not pay their non-discount share of costs for E-Rate funded equipment timely,[13] as follows:

- **Coventry Public Schools (BEN 122354).** As of the date our audit commenced, the Beneficiary had not paid the Service Provider's December 30, 2022, bill for internal connections funded under FRN 2299035948. In response to our audit inquiries, the Beneficiary paid its non-discount share of this bill on October 10, 2024.

- **Somerset Berkley Regional School District (BEN 16061942).** As of the date our audit commenced, the Beneficiary had not paid its full share of the Service Provider's October 10, 2022, bill for internal connections funded under FRN 2299041467. Specifically, the pre-discount cost of this bill was $78,820, however, the Beneficiary only paid its non-discount share of $77,320, the Beneficiary's share of $1,500 in pre-discount costs not yet paid.

- **Sheffield Academy (BEN 17030701).** As of the date our audit commenced, the Beneficiary had not paid the Service Provider's July 2022 bill for internet access funded under FRN 2299041097. In response to our audit inquiries, the Beneficiary paid its non-discount share of this bill on October 2, 2024.

- **Virtual Preparatory Academy of West Virginia (BEN 17027674).** As of the date our audit commenced, the Beneficiary had not paid any of the Service Provider's FY 2022 monthly bills for $1,155 internet access funded under FRN 2299057991. In response to

[13] See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9036, FCC 97-157, para. 493 (1997); *Schools and Libraries Universal Service Support Mechanism,* CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, 26929, FCC 03-323, para. 41 (2003).

our audit inquiries, the Beneficiary paid its non-discount share of these bills on July 18, 2024.

Cause
The Beneficiaries did not have adequate controls in place to ensure that they paid their non-discount share of costs for the eligible equipment and services funded by the E-Rate program in a timely manner.

Effect
The monetary effect for this finding is $14,463 ($17,097 pre-discount costs for funded equipment and services multiplied by each Beneficiary's discount rate, as applicable). However, because the Beneficiaries ultimately paid their non-discount share of costs for three of the FRNs identified, we are only recommending recovery for one of the FRNs, as detailed in the table below.

Support Type	Pre-Discount Amount (A)	Discount Rate (B)	Monetary Effect (C)= (A)*(B)	Recommended Recovery
Internet Access FRN 2299057991	$13,860	90%	$12,474	$0
Internet Access FRN 2299041097	$1,155	90%	$1,040	$0
Internal Connections FRN 2299041467	$1,500	40%	$600	$600
Internal Connections FRN 2299035948	$582	60%	$349	$0
Totals	**$17,097**		**$14,463**	**$600**

Recommendations
We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.

2. The Beneficiaries establish and implement internal control policies and procedures to ensure that they pay the Service Provider within 90 days after completion/receipt of E-rate funded equipment and/or services.

Beneficiary Responses
Coventry Public Schools
We pay our Service Providers within 90 days of completion of service and invoice receipt. Understanding that clerical errors can occur we will implement internal control policies and procedures to ensure that the pre-discount amounts and discount rates are correctly applied to all invoices to ensure that we are meeting our obligation to pay our portion of the project.

Somerset Berkley Regional School District
We understand the recovery of funds being requested and fully agree with the request.

Sheffield Academy
The Sheffield Academy finance department and ERATE team has established monthly invoice reviews with the service provider. We will review all ERATE invoice payment statuses. We have also requested the service provider (Whalley Computers) to send a monthly email to the school ERATE team on any ERATE invoices past due 60 days and over.

Virtual Preparatory Academy of West Virginia
The Virtual Preparatory Academy of West Virginia finance department and ERATE team has established monthly invoice reviews with the service provider. We will review all ERATE invoice payment statuses. We have also requested the service provider (Whalley Computers) to send a monthly email to the school ERATE team on any ERATE invoices past due 60 days and over.

Finding No. 5, FCC Form 473, SPAC Form, at Block 2 – The Service Provider Invoiced USAC Before Services were Rendered

Condition
During FY 2022, the Service Provider invoiced USAC under ten sampled FRNs for recurring services at the beginning of each quarter, which caused the Service Provider to invoice USAC for Internet access and managed internal broadband services that the Service Provider had not yet rendered each quarter.

Cause
The Service Provider did not have sufficient, appropriate policies and procedures in place to ensure it did not inappropriately invoice USAC in advance of rendering services.

Effect
Invoicing USAC before rendering services increases the risk that the Service Provider will invoice USAC for services not provided. However, because the Service Provider ultimately rendered the services invoiced each FY 2022 quarter, this finding has no monetary effect.

Recommendation
We recommend that the Service Provider implement policies and procedures to ensure that it does not invoice USAC until it has rendered the services in the future.

Service Provider Response
This Finding pertained to Category 1 Services that were invoiced on a quarterly frequency. Our dedicated E-Rate Telecommunications team has 40+ years of combined experience and knowledge around Category 1 Telecommunications. Our team engaged USAC's Help Desk after

their submission of the Form 473 was not initially reimbursement[sic] [14]*. Our team was advised to change the invoice frequency to quarterly and resubmit the Form 473, which was done as requested. In resubmitting the quarterly invoices, they were invoiced in month of the quarter, and should have been invoiced at the conclusion of that month for the end of the particular quarter. As a result of this finding, we updated our Invoicing SOP and reiterated that all Form 473's, regardless of invoice frequency, must always occur at the conclusion of the delivered services.*

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.507(d)(4) (2021)	*(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year.*
1	Universal Service for Schools and Libraries FCC Form 473, Service Provider Annual Certification Form (SPAC), OMB 3060-0856, Block 2 (2022)	*13. I certify 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.*
1	Letter from Dana R. Shafer, Chief, Wireline Competition Bureau, Federal Communications Commission to Scott Barash, Acting CEO, Universal Service Administrative Company, DA 09-86 (January 16, 2009)	*Equipment Not Utilized: USAC recommended recovery in every instance in which equipment was not utilized: for example, the equipment was installed but not connected to any computers, or some equipment was still in its original packaging and had not been installed. There could be situations that would justify a decision to not recover funds. For example, in one of the audits, Brownsville Independent School District delayed installation of all equipment due to human resource limitations, but anticipated that very shortly all of the equipment would be installed. In this instance, if the equipment was subsequently installed, recovery would not be warranted.*
2	FCC Form 473, Service Provider Annual Certification	*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*

[14] As the SPI Form, Form 474, is used to invoice USAC, we believe that the Service Provider's response should reference Form 474 rather than Form 473.

Finding	Criteria	Description
	(SPAC) Form, OMB 3060-0856, at Block 2 (2022)	*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 this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not yet issued a reimbursement decision.* *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.* *…* *23. 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.*
2	FCC Form 474, Service Provider Invoice (SPI) Form, OMB 3060-0856 at Block 3 (2022)	*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.* *…*

Finding	Criteria	Description
		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
2	*Federal-State Joint Board on Universal Service Changes to the Board of Directors for the National Exchange Carrier Association, Inc.*, Order on Reconsideration and Fourth Report and Order, 19 FCC Rcd 15252, FCC 04-181, para. 15 (2004)	*We direct USAC to make the determination, in the first instance, to whom recovery should be directed in individual cases. In determining to which party recovery should be directed, USAC shall consider which party was in a better position to prevent the statutory or rule violation, and which party committed the act or omission that forms the basis for the statutory or rule violation. For instance, the school or library is likely to be the entity that commits an act or omission that violates our competitive bidding requirements, our requirement to have necessary resources to make use of the supported services, the obligation to calculate properly the discount rate, and the obligation to pay the appropriate nondiscounted share. On the other hand, the service provider is likely to be the entity that fails to deliver supported services within the relevant funding year, fails to properly bill for supported services, or delivers services that were not approved for funding under the governing FCC Form 471. We recognize that in some instances, both the beneficiary and the service provider may share responsibility for a statutory or rule violation. In such situations, USAC may initiate recovery action against both parties, and shall pursue such claims until the amount is satisfied by one of the parties. Pursuant to section 54.719(c) of the Commission's rules, any person aggrieved by the action taken by a division of the Administrator may seek review from the Commission.*
2, 3	47 C.F.R. §54.502(d)(6) (2021)	*(6) 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. When applying for category two support for eligible services to a non-instructional school building or library administrative building, the applicant shall allocate the cost of providing services to one or more of the eligible school or library buildings that benefit from those services being provided*

Finding	Criteria	Description
4	47 C.F.R. § 54.523 (2021)	*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.*
4	*Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9036, FCC 97-157, at para. 493 (1997)	*Requiring schools and libraries to pay a share of the cost should encourage them to avoid unnecessary and wasteful expenditures because they will be unlikely to commit their own funds for purchases that they cannot use effectively. A percentage discount also encourages schools and libraries to seek the best pre-discount price and to make informed, knowledgeable choices among their options, thereby building in effective fiscal constraints on the discount fund.*
4	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, 26929, FCC 03-323, para. 41 (2003)	*We . . . take this opportunity to clarify and amend our rules to codify a prohibition on the provision of free services to an eligible entity by a service provider that is also providing discounted services to the entity. The Commission requires that an entity must pay the entire undiscounted portion of the cost of any services it receives through the schools and libraries program. For the purpose of this program, the provision of unrelated free services by the service provider to the entity constitutes a rebate of the undiscounted portion of the costs, a violation of the Commission's rules.*
4	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, FCC 04-190. 19	*We conclude that all funds disbursed should be recovered for any funding requests in which the beneficiary failed to pay its non-discounted share. While our rules do not set forth a specific timeframe for determining when a beneficiary has failed to pay its non-discounted share, we conclude that a reasonable timeframe is 90 days after delivery of service.*

Finding	Criteria	Description
	FCC Rcd 15808, 15816, at para. 24 (2004)	
5	FCC Form 473, Service Provider Annual Certification (SPAC) Form, OMB 3060-0856, at Block 2	*I declare under penalty of perjury that the foregoing is true and correct: I am authorized to submit this Service Provider Annual Certification Form on behalf of above-named Service Provider, which has been assigned the above-referenced Service Provider Identification Number, and that based on information known to me or provided to me by employees responsible for the data being submitted, I hereby certify that the data set forth in this Form has been examined and reviewed and is true, accurate and complete. I acknowledge that any false statement of this Form or on the Service Provider Invoice Form (FCC Form 474) can be punished by fine or forfeiture under the Communications Act, 47 U.S.C § 502,503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C § 1001, and that any such false statement could subject this Service Provider to liability under the False Claims Act.* *Item (9)- I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for services which have been billed to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.* *Item (10)- I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not yet issued a reimbursement decision.*

Sikich CPA LLC

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Report Released: May 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment E Rialto Unified School District	1	• **Beneficiary Invoiced E-Rate Program for Ineligible Equipment.** The Beneficiary invoiced the E-Rate program for equipment that the Beneficiary did not include on its Form 471 and for equipment that its Service Provider did not bill.	$9,561,733	$79,542	$79,542	$0	Y
Total	**1**		**$9,561,733**	**$79,542**	**$79,542**	**$0**	

Attachment E

SL2024LR017

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

RIALTO UNIFIED SCHOOL DISTRICT

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

USAC AUDIT NO. SL2024LR017

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

Executive Summary

December 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 LLC[1] (referred to as "Sikich" or "we") audited the compliance of Rialto Unified School District (the Beneficiary), Billed Entity Number (BEN) 143729, 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 reviewing, 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 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 necessarily constitute an FCC Rule violation but that warrants the attention of the Beneficiary and USAC management. Sikich's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Sikich, USAC, or FCC verification, audit, or investigation.

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 and a service provider inappropriately billed the Beneficiary, as set forth in the one detailed audit finding and one other matter discussed below.

Audit Results	Monetary Effect	Recommended Recovery
Finding No. 1, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2022) – Beneficiary Invoiced E-Rate Program for Ineligible Equipment. The Beneficiary invoiced the E-Rate program for equipment that the Beneficiary did not include on its Form 471 and for equipment that its Service Provider did not bill.	$79,542	$79,542
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 Service Provider inappropriately billed the Beneficiary for USAC's share of service costs under the SPI method.	$0	$0
Total Net Monetary Effect	**$79,542**	**$79,542**

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 and Service Provider to address the areas of deficiency that are identified below in the audit report. See the chart below for USAC Management's recovery action by funding request number (FRN).

FRN	USAC Recovery Action
2299052138	$79,542

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 public school district located in Rialto, California, that serves more than 26,000 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2022 as of March 8, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$3,723,736	$2,323,679
Internet Access	$8,907,048	$7,238,054
Total	**$12,630,784**	**$9,561,733**

The "amount committed" total represents three FCC Form 471, *Description of Services Ordered and Certification,* applications submitted by the Beneficiary for FY 2022 that resulted in four FRNs. We selected a sample of three FRNs,[2] which represent $11,217,051 of the funds committed and $7,428,099 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 FCC Rules. We conducted inquiries and performed direct observations 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.

[2] Our sample included FRNs 2299052138, 2299045603, and 2299045897.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible equipment and services as the primary factor when selecting the Service Provider. We also obtained and examined 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 contracts with its selected Service Providers for this audit. Additionally, we examined the selected Service Provider contracts to determine whether the Beneficiary and the selected 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 472s, *Billed Entity Applicant Reimbursement* (BEAR) Forms; FCC Form 474s, *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.

D. Site Visit

We performed a virtual site visit to evaluate the location and use of equipment and services for which the Beneficiary had requested funding to determine whether it was 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 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, SPI Forms, and corresponding selected 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 Findings

<u>Finding No. 1, FCC Form 472, BEAR Form at Block 3 (2022) – Beneficiary Invoiced E-Rate Program For Ineligible Equipment</u>

Condition

The Beneficiary invoiced the E-Rate program for $93,579 in ineligible equipment under FRN 2299052138. Specifically, the Beneficiary invoiced the E-Rate program for one switch that was not requested on its FCC Form 471 and for 23 switches and 51 access points that it had invoiced on a previous BEAR submission, as detailed in the table below.[3]

Equipment Type	Unit Cost A	No. of Units Requested on FCC Form 471 B	No. of Units Beneficiary Invoiced to E-Rate program C	Difference D = C - B	Total Cost E = D * A
C9200-NM-4X	$686	73	74	1	$686
C9200-48PXG-EDU	$2,527.22	23	46	23	$58,126
C9130AXI-B-EDU	$681.71	51	102	51	$34,767
Total Cost of Ineligible Equipment					**$93,579**

Cause

The Beneficiary did not have adequate controls and procedures in place to ensure the accuracy or allowability of the amounts reported in the BEAR Forms it submits to USAC. Specifically, the Beneficiary explained that its process for tracking equipment purchases and reconciling amounts reported to its BEAR Forms relies on manual data entry and that these exceptions were caused by human errors.

Effect

The monetary effect for this finding is $79,542 ($93,579 multiplied by the Beneficiary's 85 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2299052138	$79,542	$79,542

Recommendations

We recommend that:

[3] The Beneficiary invoiced USAC for the 23 C9200-48PXG-EDU switches and 51 C9120AXI-B-EDU access points under a separate BEAR form submitted for FRN 2299052138.

1. USAC Management seek recovery of the amount identified in the Effect section above.

2. The Beneficiary implement controls to ensure that its BEAR Forms do not include costs for equipment and/or services that are not approved for USAC funding and/or supported by service provider bills.

Beneficiary Response

While we do have established processes and checks and balances in place to avoid invoicing errors, there will always be some level of risk for human error due to manual data entry. Submitting BEARs is a coordinated effort between CSM (E-Rate consultant), the district and the service provider. In this case, the service provider bills included items that were not approved for funding on the E-Rate application that should have been billed directly to Rialto, which made the reconciliation process more complicated. Despite our best efforts, two line items were duplicated on our internal reconciliation worksheet, which resulted in the two items being invoiced to USAC twice hence, the overpayment.

Sikich Response

Our position on this finding has not changed.

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 SPI Method

Condition

We obtained and examined selected Service Provider bills to determine whether the selected Service Providers only billed the Beneficiary for the non-discounted portion of the cost of eligible equipment and services, plus the costs of any ineligible equipment and services. We found that one of the Beneficiary's selected Service Providers, AT&T, billed the Beneficiary for the discounted portion of the cost of services. Specifically, for FY 2022, the Beneficiary chose the SPI method to obtain reimbursement for eligible services under FRN 2299045603 at the following discount rate:[4]

FRN	Discount Rate
2299045603	90%

Under the SPI method, service providers bill Beneficiaries for only the non-discounted share of costs for eligible equipment and services (as well as the full cost for any ineligible equipment and services) and invoice USAC for the remaining discounted share of the costs for eligible equipment and services. Beneficiaries are only responsible for paying Service Providers for the non-discounted share of costs for eligible equipment and services (as well as the full cost for any

[4] *Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, FCC 14-99 at para. 235 (2014). *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 Future Notice of Proposed Rulemaking (FNPRM), FCC 03-101 at paras. 44, 46-47 (2003) (*Second Report and Order*); 47 C.F.R. § 54.514(c) (2021); 47 C.F.R. § 54.504(f)(5) (2021).

ineligible equipment and services), and the Service Provider is required to invoice USAC for the discounted share of costs for eligible equipment and services in order to receive payment.[5] However, the Service Provider billed the Beneficiary for the full pre-discount cost of the eligible services for the FRN listed in the table above. After the Service Provider received reimbursement for the discounted share of the costs from USAC, it posted a credit for the same amount to the Beneficiaries' accounts to be applied to future billing periods.

Cause
The Service Provider did not have adequate controls and procedures in place to ensure compliance with FCC Rules. Specifically, the Service Provider requires that Beneficiaries complete a Grid document with the details of the E-Rate funding for each FRN before it applies to the E-Rate discounts on the applicable bills. However, during the period at issue, it did not have processes and procedures in place to obtain the Grid document from the Beneficiary as soon as it received confirmation through an FCC Form 486 Notification Letter that E-Rate support for the services at issue had begun.

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 the costs of eligible services during the period at issue. We did not note a monetary effect, as the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. However, we note that, because the Beneficiary selected the SPI reimbursement method, the Beneficiary was only required to pay the Service Provider the non-discounted portion of the costs of the eligible services. Requiring the Beneficiary to pay the full pre-discount costs and wait for reimbursement for the discounted portion of the costs in the form of a credit on subsequent bills is inconsistent with E-Rate program rules. 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.

Recommendation
We recommend that the Service Provider implement policies, controls, and procedures to enable it to obtain and process FRN funding details so that it can apply billing discounts on a timely basis and ensure that, if a beneficiary selects the SPI invoicing method, it only bills the beneficiary for the non-discounted share of costs for the eligible equipment and services (plus the cost of any ineligible equipment and services). The Service Provider should familiarize itself with FCC Rules related to invoicing at https://www.usac.org/e-rate/service-providers/step-5-invoicing/. Additionally, the Service Provider 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 Response

[5] *Id*.

AT&T has established and implemented comprehensive policies, controls, and procedures to ensure timely and accurate processing of E-rate funding requests in alignment with the method submitted to USAC.

AT&T's SPI method process is compliant with the FCC rules. AT&T applies E-Rate credits to customers' bills after AT&T receives all information necessary to verify the services and accounts that are subject to the E-Rate discount. As part of its process, AT&T requests customers to provide relevant information in its Welcome Package, which is provided after AT&T receives the Funding Commitment Decision Letter (FCDL) from USAC. In the Welcome Package, AT&T provides customers with the instructions to fill out a "Grid" online that provides AT&T with account-level information needed to apply E-rate credits. Historically, AT&T has requested that customers provide this information 120 days prior to the last date to invoice, a procedure to which FCC staff previously did not object. AT&T applies E-Rate credits to customers' bills after receiving the completed Grid.

In the case of Rialto USD, FRN 2299045603 was not approved by USAC until 12/15/2022, which was almost 6 months after the funding year began. Once approved, the customer provided AT&T with the completed Grid on 01/05/2023. Once received, AT&T calculated and provided the requisite discounts to Rialto USD prior to submitting the first Form 474 SPI to USAC in April of 2023.

The FCC has a pending rulemaking that includes an evaluation of the SPI invoicing method. AT&T is an active participant in the proceeding and has filed both comments and reply comments explaining its SPI processes. Please refer to AT&T comments for more information on its SPI processes.[6]

While AT&T's SPI method provided flexibility to applicants, in light of the audit report's identification of this as an "other matter," AT&T has revised its procedures beginning with the 2025 Funding Year to require customers to submit account-level details within 90 days of receiving the AT&T Welcome Package to improve efficiency and avoid delayed application of E-rate credits. Additionally, starting with the 2026 Funding Year, AT&T has incorporated specific contract language requiring customers to:

- Select their invoicing method (SPI or BEAR) upfront.
- Provide necessary account-level information within 90 days of receiving the welcome package.
- Agree that, if they do not provide this information within that timeframe, they will utilize the BEAR disbursement method to receive their E-rate funding.

[6] *See,* AT&T Comments and Reply Comments, Schools and Libraries Universal Service Support Mechanism; Federal -State Joint Board on Universal Service; Changes to the Board of Directors of the National Exchange Carrier Association, Inc., *Report and Order and Further Notice of Proposed Rulemaking*, CC Docket No. 02-6; CC Docket No. 96-45, CC Docket No. 97-21, released July 21, 2023.

These enhancements ensure AT&T has accurate information of the customer's invoicing method selection thus enabling timely and compliant application of E-rate credits.

Beneficiary Response

This is a service provider billing issue. For future invoices, Rialto USD will request the service provider only bill the district the non-discounted portion when the SPI method is being used.

Sikich Response

FCC Rules do not explicitly require service providers to apply E-Rate discounts to all billings under the SPI method of reimbursement. Beneficiaries, however, are only responsible for paying the non-discount share of service costs if the SPI method is chosen. AT&T's practice of billing beneficiaries for the full cost of services is thus inconsistent with FCC Rules. Accordingly, our position regarding this other matter has not changed.

Criteria

Finding	Criteria	Description
1	FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form, at Block 3 (2022)	*I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit the Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information and belief, as follows:* *A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or services delivered to and* *Finding Criteria Description used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.* *B. The discount amounts listed in 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.* *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).*

Other Matter	Criteria	Description
1	*Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and	*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.*

Other Matter	Criteria	Description
	Order and Notice of Proposed Rulemaking, FCC 14-99, para. 234-235 (2014) *(First 2014 E-Rate Order)*	*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.*
1	*Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, para. 586 (1997)	*[W]e reject GTE's proposal to permit service providers to demand full payment from schools and libraries, which would require institutions to secure direct reimbursement from the Administrator. 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. For purposes of administrative ease, we conclude that service providers, rather than schools and libraries, should seek compensation from the universal service administrator.*
1	*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 at paras. 44, 46-47 (2003)	*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.*
1	47 C.F.R. § 54.514(c) (2021)	*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*

Other Matter	Criteria	Description
		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.
1	47 C.F.R. § 54.504(f)(5) (2021)	*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.*
1	Service Provider Invoice (SPI) Form Certification, FCC Form 474, Block 3 (2022)	*I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows* *A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.*

Sikich CPA LLC