

Schools & Libraries Committee

Audit Reports Briefing Book

Monday, October 26, 2026

Available For Public Use

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment A Palm Beach County School District	0	• Not applicable.	$9,169,042	$0	$0	$0	N/A
Total	**0**		**$9,169,042**	**$0**	**$0**	**$0**	

Attachment A

SL2025LR020

Deloitte & Touche LLP
1919 N Lynn St Suite 1500
Arlington, VA 22209
United States

Tel: +1 (713) 851-5518
www.deloitte.com

June 9, 2026

Teleshia Delmar
Vice President, Audit & Assurance
The Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar,

On behalf of The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD), Deloitte & Touche LLP (Deloitte) has completed a limited scope performance audit of Palm Beach County School District (Beneficiary) associated with the benefits received from the Universal Services E-Rate Program. This performance audit was subject to the USAC Beneficiary and Contributor Audit Program (BCAP) & Supply Chain Audit Services contract AAD-24-069.03 and corresponding Task Order SL2502.

Deloitte assessed the compliance of the Beneficiary, Billed Entity Number (BEN) 127754, 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.

Deloitte conducted the performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that Deloitte plan and conduct the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the performance audit objectives. The performance 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 Deloitte considered necessary to assist USAC in determining the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for Deloitte's findings and conclusions based on the performance audit objectives.

We appreciate the cooperation and support of USAC throughout this engagement.

Sincerely,

Shawn Kilchrist

Shawn Kilchrist
Managing Director
Deloitte & Touche LLP

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Beneficiary & Contributor Performance Audit

PALM BEACH COUNTY SCHOOL DISTRICT

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

USAC Audit No. SL2025LR020

Prepared by Deloitte & Touche LLP

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES 5

EXECUTIVE SUMMARY

June 9, 2026

Amy Haines, IT Budget Analyst
Palm Beach County School District
3300 Forest Hill Blvd
West Palm Bch, Florida 33406- 5813

Dear Ms. Haines,

On Behalf of the Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD), Deloitte & Touche LLP (Deloitte) executed a performance audit[1] over the compliance of Palm Beach County School District (the Beneficiary), Billed Entity Number (BEN) 127754, using regulations governing the federal Universal Service E-Rate program set forth in 47 C.F.R. Part 54, as well as, orders and other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited scope performance audit.

Deloitte 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 performance audit objectives. The performance audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the performance audit objectives.

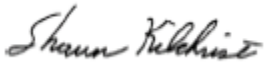
Based on the test work performed, our examination did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period. Our determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Deloitte, USAC, 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, 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 assistance by you and your provided staff during the performance audit.

[1] In this instance, "Audit" does not refer to an audit or review of Financial Statements as described in the statements on standards of attest services issued by the American Institute of Certified Public Accountants (AICPA).

Sincerely,



Shawn Kilchrist
Managing Director
Deloitte & Touche LLP

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

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

The purpose of the performance 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 (Performance Audit Period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	$2,878,080	$1,408,878
Internal Connections	$7,760,164	$7,760,164
Total	**$10,638,244**	**$9,169,042**

Note: The amounts committed and disbursed reflect Funding Year activity as of the commencement of the performance audit and exclude any applications/FRNs that have been canceled.

The committed total represents four (4) FCC Form 471 applications, *Description of Services Ordered and Certification Forms,* with four (4) Funding Request Numbers (FRNs). Deloitte selected three (3) FRNs,[2] which represent $10,465,444 of the funds committed and $8,996,242 of the funds disbursed during the performance 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 Palm Beach County, Florida, that serves over 180,000 students in the community.

PROCEDURES

We performed the following procedures:

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 ensured adequate controls existed to determine whether funds were used in accordance with the FCC Rules. We conducted inquiries to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the 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 assessed its accuracy.

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

[2] The FRNs included in the scope of this audit were: 2399002578, 2399026133, and 2399037089.

Competitive Bidding Process

We 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. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers. We also examined the Service Provider contracts to determine whether they were properly executed.

B. 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 Reimbursements (BEAR) Forms, FCC Form 474 Service Provider Invoices (SPI) Forms, and corresponding Service Provider's bills were consistent with the terms and specifications of the Service Provider Agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

C. Site Visit

We performed a virtual inspection to assess the location and use of equipment and services and to determine whether the equipment and services were delivered and installed, located in eligible facilities, and utilized in accordance with the FCC Rules. 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.

D. Reimbursement Process

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

This concludes the report.

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action*	Commitment Adjustment	Entity Disagreement
Attachment B Ardham Technologies, Inc.	0	• No findings.	$110,672	$0	$0	$0	N/A
Attachment C Power Tech NJ Inc.	1	• No significant findings.	$489,893	$46,283	$0**	$0	N
Attachment D High Point Networks, LLC	1	• No significant findings.	$3,009,851	$4,807	$0**	$0	N
Attachment E San Diego City Unified School District	4	• **Service Provider Invoiced the E-Rate Program for Rates and Equipment Not Approved for Funding.** Service Provider invoiced USAC for equipment at unit prices that exceeded the amounts approved on the Beneficiary's FCC Form 471 and for equipment exceeding what USAC approved for funding.	$4,604,853	$530,418	$524,523	$0	Y
Attachment F	4	• **Inadequate Competitive Bidding Evaluation – Disqualification and Price**	$193,410	$369,780	$193,410	$193,410	Partial

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action*	Commitment Adjustment	Entity Disagreement
Democracy Prep Public Schools		**Criteria –** The Beneficiary (1) did not assign the highest price score to the lowest price offering and 2) did not disclose its disqualification criteria.					
Attachment G Central Charter School***	1	• **Failure to Comply with Requests of an Audit –** The Beneficiary did not provide the information requested to the auditors demonstrate compliance with the FCC Rules.	$0	$37,430	$0	$37,430	N
Attachment H United Data Technologies Inc.	0	• No findings.	$17,183,719	$0	$0	$0	N/A
Total	**11**		**$25,592,398**	**$988,718**	**$717,933**	**$230,840**	

* The Monetary Effect amount may exceed the Amount of Support and the USAC Management Recovery Action as there are findings that had overlapping exceptions that exist in multiple findings. Thus, the USAC Management Recovery Action amount is less than the Monetary Effect to prevent a double-recovery of funds as the total recovery cannot exceed the total amount of support the Beneficiary received.

** The USAC Management Recovery Action is $0 as a recovery of funds is not warranted because the Beneficiary or Service Provider or returned the funds to the E-Rate program.

*** The Beneficiary was approved for a funding commitment of $37,430, but no funds were disbursed. Because the Beneficiary failed to comply with the audit, there are no funds to recover, and instead, the corrective action is a full downward commitment adjustment.

Attachment B

SL2025SP026

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Beneficiary & Contributor Performance Audit

ARDHAM TECHNOLOGIES, INC.

Limited Review Performance Audit on Compliance with the Federal Schools and Libraries Universal Service Support Mechanism (E-Rate) Rules

USAC Audit No. SL2025SP026

Prepared by Deloitte & Touche LLP

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES 4

EXECUTIVE SUMMARY

June 30, 2026

Amanda Wickman
Controller
Ardham Technologies, Inc.
4200 Osuna RD NE. Ste. 3-310
Albuquerque, New Mexico 87109

Dear Ms. Wickman,

On behalf of The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD), Deloitte & Touche LLP (Deloitte) audited[1] the compliance of Ardham Technologies, Inc. (the Service Provider), Service Provider Identification Number (SPIN) 143032021, for Funding Year 2023, using regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the E-Rate program) set forth in 47 C.F.R. Part 54, as well as, and orders and other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Service Provider. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the limited scope performance audit.

Deloitte 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 type and amount of services provided by the Service Provider to E-Rate program applicants (selected Beneficiaries), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

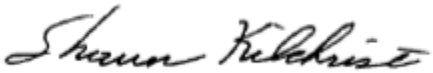
Based on the test work performed, our examination did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future USAC or FCC verification, 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 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 assistance extended by you and your staff during the audit.

[1] In this instance, "Audit" does not refer to an audit or review of Financial Statements as described in the statements on standards of attest services issued by the American Institute of Certified Public Accountants (AICPA).

Sincerely,



Shawn Kilchrist
Managing Director
Deloitte & Touche LLP

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

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

The purpose of the performance 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
Internal Connections	$121,672	$110,672
Basic Maintenance of Internal Connections	$312,985	$0
Total	**$434,657**	**$110,672**

Note: The amounts committed and disbursed reflect Funding Year activity as of the commencement of the performance audit and exclude any applications/FRNs that have been cancelled.

The total amount committed represents four FCC Form 471 applications, *Description of Services Ordered and Certification Forms,* with 14 Funding Request Numbers (FRNs). Deloitte selected four FRNs,[2] which represent $336,521 of the funds committed and $23,536 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 Service Provider.

BACKGROUND

The Service Provider provides managed IT, cybersecurity, and network infrastructure services in New Mexico and its headquarters are located in Albuquerque, New Mexico.

PROCEDURES

We performed the following procedures:

A. Application Process

We obtained an understanding of the Service Provider's processes relating to the E-Rate program and examined documentation to determine whether it supported the Service Provider's effective use of funding and ensured adequate controls existed to determine whether funds were used in accordance with certain FCC Rules. We conducted inquiries to determine whether the Service Provider was eligible to receive funds and had the necessary resources to support the equipment for which funding was requested. We also conducted inquiries to obtain an understanding of the process the Service Provider used to calculate its discount percentage and assessed its accuracy.

B. Eligibility Process

We obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. We conducted inquiries of the Service Provider and the selected

[2] The FRNs included in the scope of this audit are: 2399052576, 2399051099, 2399051053, and 2399051091.

Beneficiaries and examined documentation to determine whether controls exist to ensure equipment was eligible, delivered, and installed in accordance with the FCC Rules. We conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries' FCC Form 470.

C. Competitive Bidding Process

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

D. Billing Process

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

E. Reimbursement Process

We obtained and examined the BEAR Forms and SPI Forms submitted for reimbursement for the equipment delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. We reviewed Service Provider bills associated with the BEAR and SPI Forms for equipment 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.

This concludes the report.

Attachment C

SL2025SP016

Limited Review Performance Audit
of
Power Tech NJ Inc'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. SL2025SP016

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

TABLE OF CONTENTS

Executive Summary 2

Audit Result and Recovery Action 3

USAC Management Response 3

Purpose, Scope, Background, and Procedures 4

Detailed Audit Finding 7

47 CFR § 54.523 (2022) – Untimely Payments to Service Provider 7

Criteria 9

Appendix 1: Beneficiary Response 10

REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

June 2, 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 Power Tech NJ Inc. (the Service Provider), Service Provider Identification Number (SPIN) 143053374, for Funding Year 2023, using the 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 Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit.

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 and 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 Result 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 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 you and your staff provided during the audit.

Sincerely,

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
June 2, 2026

1420 K Street, NW Suite 910, Washington, DC 20005; Tel: 202-296-7101; Fax: 202-296-7284; www.regiscpa.com

Audit Result and Recovery Action

Audit Result	FRN	Monetary Effect	Recommended Recovery
Finding: 47 CFR § 54.523 (2022) – A Beneficiary Did Not Pay the Non-Discounted Amount to the Service Provider. The Beneficiary did not provide proof that it had paid its non-discounted portion to the Service Provider	2399031622	$4,207	$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 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 FRN.

FRN	Recovery Amount
2399031622	$0

Purpose, Scope, Background, and Procedures

Purpose

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

Scope

The following chart summarizes the E-Rate program support amounts committed and disbursed for Funding Year 2023 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	$578,160	$489,893

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

The committed total represents five FCC Form 471 applications, *Description of Services Ordered and Certification Form*, with eleven Funding Request Numbers (FRNs). We selected seven FRNs[1] of the funded eleven FRNs, which represent $384,840 of the funds committed and $296,573 of the funds disbursed for the audit period, to perform the procedures enumerated below with respect to the Funding Year 2023 applications submitted by selected Beneficiaries.[2]

Background

Power Tech NJ Inc – Overview

Power Tech NJ Inc. provides month-to-month (MTM) internet services exclusively in New York and New Jersey, and is located at 420 Chestnut Street, Union, New Jersey.

[1] The FRNs included in the scope of this audit are: 2399031622, 2399031728, 2399053935, 2399053963, 2399053996, 2399056695, and 2399059314.
[2] The Selected Beneficiaries are: Cong. Machzikei Hadas (Billed Entity Number 16082215), Talmud Torah Toldos Yakov Yosef of Lakewood (Billed Entity Number 16071998), Bais Tziporah Girls School (Billed Entity Number 158775), and United Academy of Union (Billed Entity Number 17034420).

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. We conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to determine whether controls existed to ensure services were eligible, delivered, and installed in accordance with the FCC Rules. We conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries' FCC Form 470, *Description of Services Requested and Certification Form*. We also reviewed the Service Provider's FCC Forms 473 and 498 to determine whether the forms were complete and accurate.

B. Competitive Bidding Process

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

C. Billing Process

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

D. Reimbursement Process

We obtained and examined the SPIs Forms submitted for reimbursement for 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 services provided to the selected Beneficiaries. We also determined whether the Service Provider billed the selected Beneficiaries for only the non-discount portion of the cost, or if the Service Provider issued credits on its bills to the selected Beneficiaries.

Detailed Audit Finding

47 CFR § 54.523 (2022) – Untimely Payments to Service Provider

Condition:

The Congregation Machzikei Hadas (Beneficiary), Billed Entity Number 16082215, had a month-to-month agreement with the Service Provider for internet access service under FRN 2399031622, totaling a pre-discounted amount of $56,100. The Beneficiary requested 12 months of service on its FCC Form 471.

The Service Provider received payment from the E-Rate program for services rendered from July 2023 to May 2024. Subsequently, the Service Provider submitted reimbursement requests to USAC totaling $4,207.50 for June 2024, which were denied because the Beneficiary failed to provide USAC with proof that it had paid its non-discounted portion to the Service Provider. Because the E-Rate program approved only 11 months of service, the Beneficiary was responsible for the June 2024 services. Thus, we determined that the Beneficiary did not pay the non-discounted amount to the Service Provider as calculated in the chart below:

Pre – Discount A	Discount Percentage (%) B	Discounted Share C = A * B	E-Rate Program Disbursement D	Unpaid Non-Discounted Amount E= C - D
$56,100	90%	$50,490	$46,283	$4,207

We also confirmed that the Beneficiary had not paid the Service Provider upon completion of the audit fieldwork.

Cause:

The Beneficiary did not pay the non-discounted share because they believed the amount was included within their discounted share.[3]

Effect:

The monetary effect of this finding $46,283 [$56,100 multiplied by the Beneficiary's 90 discounted share rate],[4] amount disbursed by the E-Rate program. However, because the Beneficiary ultimately paid for the funded services, we are not recommending recovery of E-Rate program funds as noted in the Auditor's Response section below.

---

[3] USAC denied the reimbursement requests under FCC Form 474 for invoice line number 20230610, and communicated to the Beneficiary on July 18, 2024, that the evidence provided was not legible. USAC requested legible documentation within the next 7 calendar day and notified the Beneficiary that incomplete documentation may result in reduction or rejection of the invoice without further notice.

[4] Paragraph 24 of FCC 04-190, the Fifth Report and Order, notes that the failure to pay non-discounted share is a rule violation that warrants recovery of all funds disbursed for any funding requests in which the Beneficiary failed to pay its non-discounted share.

Recommendation:

We recommend that the Beneficiary establish and implement internal controls, policies, and procedures to ensure that it pays its non-discounted share of invoiced services to its Service Providers in a timely manner (i.e., within 90 days of receiving the service), in compliance with the FCC Rules.

Beneficiary Response:

The Beneficiary stated that it will implement the recommendation; and had paid the remaining unpaid non-discounted amount of $4,207. See Beneficiary's full response in Appendix 1.

Auditor Response:

We reviewed a copy of the bank cleared check dated December 19, 2025, as proof of payment of the non-discounted share of $4,207 to the Service Provider. Since the Beneficiary paid the non-discounted amount, we have updated the monetary effect section to indicate that no recovery is recommended. We have also removed the recommendation to seek recovery from the Recommendation section above.

Criteria

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

Appendix 1: Beneficiary Response

CONGREGATION
MACHZIKEI HADAS

100 Route 70 Lakewood, NJ 08701

תלמוד תורה מחזיקי הדת
דחסידי בעלזא

Tel: 732-366-1500 Fax: 732-366-1550

To Whom It May Concern,

We will establish and implement internal controls, policies, and procedures to ensure that it pays its non-discounted share of invoiced services to its Service Providers in a timely manner (i.e., within 90 days of receiving the service), in compliance with the FCC Rules. We also paid the Service Provider the remaining unpaid non-discounted amount of $4,207.50."

Sincerely,

Yosef Adler

Administrator

* This concludes the audit report.**

Attachment D

SL2025SP014

Limited Review Performance Audit
of
High Point Networks, LLC's

Compliance with the Federal Schools and Libraries
Universal Service
Support Mechanism (E-Rate) Rules

for Funding Year 2023

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2025SP014

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

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Recovery Action 3

USAC Management Response 3

Purpose, Scope, Background, and Procedures 4

Detailed Audit Finding 6

47 C.F.R. § 54.523 (2022) – The Service Provider Invoiced the E-Rate Program for the Beneficiary's Non-Discount Share. 6

Criteria 8

REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

June 24, 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 High Point Networks, LLC (the Service Provider), Service Provider Identification Number (SPIN) 143032077 for Funding Year 2023, using the regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the 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 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 states of Colorado, Minnesota, Montana, North Dakota, Oklahoma, South Dakota, Texas, and Wisconsin (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 Result 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 Service Provider, and the FCC; and should not be used by

those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
June 24, 2026

Audit Result and Recovery Action

Audit Result	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.523 (2022) – The Service Provider Invoiced USAC for the Beneficiary's Non-Discount Share. The Service Provider submitted a reimbursement request to USAC for the entire committed FRN amount, rather than limiting the request to the discounted portion of the eligible services actually billed to the Beneficiary.	$4,807	$0
Total	**$4,807**	**$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.

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	$106,812	$90,047
Data Transmission and/or Internet Access	$93,068	$93,068
Internal Connections	$3,606,728	$2,786,063
Managed Internal Broadband Services	$40,673	$40,673
Total	**$3,847,281**	**$3,009,851**

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

The committed total represents 32 FCC Form 471, *Description of Services Ordered and Certification Form*, applications, with 49 Funding Request Numbers (FRNs). We selected 20 FRNs[1] of the funded 49 FRNs which represent $1,782,297 of the funds committed and $1,733,208 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 selected Beneficiaries.

Background

The Service Provider, is a provider of business technology solutions, including audio, video, cybersecurity, data center, network infrastructure, phone systems, physical security, professional IT services, and IT managed services for customers across the Upper Great Plains and Upper Midwest in the U.S. The company's headquarters is located in West Fargo, North Dakota.

[1] The FRNs included in the scope of this audit are: 2399048197, 2399000007, 2399006634, 2399006639, 2399047156, 2399047303, 2399047403, 2399048481, 2399048489, 2399037965, 2399038085, 2399038101, 2399038112, 2399027331, 2399027333, 2399027338, 2399049500, 2399043802, 2399041834, and 2399041858.

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 the 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 the completion of the 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, the selected Beneficiaries' competitive bidding process. We reviewed the Service Provider's contracts (if applicable) with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the equipment and services requested and purchased to determine whether the Service Provider provided the services requested in the selected Beneficiaries' FCC Form 471. We also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged 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 Invoices (SPIs) for which payment was disbursed by USAC to determine whether the equipment and services identified on the SPIs, and corresponding Service Provider bills, were consistent with the terms and specifications of the Service Provider's contracts and eligible in accordance with the E-Rate program Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to its similarly situated non-residential customers. In addition, we examined documentation to determine whether the Service Provider billed the selected Beneficiaries for the non-discounted portion of eligible equipment and services purchased with universal service discounts and did not provide rebates, including free services or products.

D. Site Visits

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

Detailed Audit Finding

47 C.F.R. § 54.523 (2022) – The Service Provider Invoiced the E-Rate Program for the Beneficiary's Non-Discount Share

Condition:
The Service Provider invoiced the E-Rate program for its Beneficiary[2]'s discounted and non-discounted share of costs and credited a Beneficiary's bill for its discounted and non-discounted share of costs under FRN 2399047156. Under the E-Rate program, the Service Provider may only submit a reimbursement request to USAC for discounted portion of the eligible services actually billed to the Beneficiary. As a result of our inquiries with the Service Provider about the billing discrepancies, the Service Provider returned the funds to the E-Rate Program[3] on June 4, 2025 and billed the Beneficiary on May 19, 2025 for its non-discounted share of costs. The Beneficiary paid its remaining non-discounted share to the Service Provider on August 21, 2025.

To determine the eligible amount billed, we excluded excess shipping costs[4] over the committed amount and charges for equipment[5] not included in the Form 471 application. The table below shows the amount the Service Provider over-invoiced USAC:

Total Billed Pre-Discount Cost (A)	Ineligible Billed Costs (B)	Total Eligible Pre-Discount Cost (C=A-B)	Discount Percentage (D)	Eligible Discounted Cost (E=D*C)	Amount Invoiced to USAC (F)	Over Invoiced Amount (G= F-E)
$81,447	$938	$80,509	80%	$64,407	$69,215	$4,807

Cause:
The Service Provider did not have effective processes and controls in place to ensure bills to the Beneficiary and invoices to USAC were complete, accurate, and based on eligible charges.[6] Eligible charges do not include the non-discount share of costs.

Effect:
The monetary effect of this finding is $4,807, which represents the over-invoiced amount. A recovery is not recommended because the Service Provider returned the amount to the E-Rate program.

Recommendation:
We recommend the Service Provider implement controls and procedures to ensure requests for reimbursement from USAC are complete, accurate, and do not include ineligible charges, as is required by the FCC Rules. Additionally, we recommend that the Beneficiary review its bills for accuracy.

[2] Chavez/Huerta K-12 Preparatory Academy, hereinafter referred to as the Beneficiary.
[3] The Service Provider returned the funds via the pay.gov website and received a transaction ID of 2707BU34.
[4] The Service Provider billed the Beneficiary $1,703 for shipping costs, however, only $1,440 was committed under FRN 2399047156.
[5] The cost for equipment (rack rail kit) for $675 was billed to the Beneficiary under FRN 2399047156, however it was not included in the FCC Form 471 application.
[6] The Service Provider responded to the Notice of Findings and Recommendations by letter date October 21, 2025.

Service Provider Response:
The Service Provider concurred with the audit results. See the Service Provider's full response below:
"We acknowledge the finding regarding the invoicing and reimbursement request for FRN 2399047156 under the E-Rate Program for Funding Year 2023. Upon review, we recognize that the reimbursement request submitted to USAC included both the non-discounted portion and ineligible costs, resulting in an over-invoicing of $4,807.39.
We appreciate the audit team's thorough review and recommendations. As noted, the over-invoiced amount was promptly returned to USAC upon identification of the error. We are committed to maintaining the highest standards of compliance and transparency in our participation in the E-Rate Program."

Beneficiary Response:
The Beneficiary was unable to provide a response, since the school was closed on June 30, 2025.

Auditor's Response:
Since the Service Provider concurred with our audit results, no additional comment is necessary.

Criteria

Criteria	Description
47 C.F.R. §54.523 (2022)	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.

This concludes the audit report.

Attachment E

SL2024LR028

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

SAN DIEGO CITY UNIFIED SCHOOL DISTRICT

COMPLIANCE WITH THE FEDERAL SCHOOL AND LIBRARIES UNIVERSAL SERVICE FUND SUPPORT MECHANISM (E-RATE) RULES

USAC AUDIT NO. SL2024LR028

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

CONTENTS

EXECUTIVE SUMMARY **1**

AUDIT RESULTS AND RECOVERY ACTION **2**

USAC MANAGEMENT RESPONSE **3**

DETAILED AUDIT FINDINGS AND OTHER MATTER **5**

Finding No. 1, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Rates and Equipment Not Approved for Funding 5

Finding No. 2, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Quantities and Services Not Approved for Funding 9

Finding No. 3, 47 C.F.R. § 54.502(d)(6) (2021) – Equipment Not Used for Educational Purposes 13

Finding No. 4, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Equipment Not Received . 22

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 Invoice Method 25

CRITERIA **28**

APPENDIX A: VECTOR'S CORRECTIVE ACTIONS RELATED TO INVOICE SUBMISSION **36**

APPENDIX B: EXHIBITS PROVIDED WITH VECTOR'S RESPONSE TO FINDING NO. 3 ..... **37**

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

Executive Summary

July 11, 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 San Diego City Unified School District (the Beneficiary), Billed Entity Number (BEN) 143662, using regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the E-Rate program), set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission (FCC) Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary's compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage, and the type and amount of equipment and 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 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 four detailed audit findings and one other matter, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period. An "other matter" is a condition that does not necessarily

[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").

constitute a rule violation but that warrants the Service Provider and USAC management's attention.

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.

Audit Results and Recovery Action

Based on the test work performed, our audit found that the Beneficiary and two of its Service Providers did not comply with FCC Rules, as provided in the four detailed audit findings and one other matter discussed below.

Audit Results	Monetary Effect[2]	Overlapping Recovery[3]	USAC Recovery Action[4]
Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2; FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 – Service Provider Invoiced the E-Rate Program for Rates and Equipment Not Approved for Funding. One Service Provider invoiced USAC for equipment at unit prices that exceeded the amounts approved on the Beneficiary's FCC Form 471 and for equipment exceeding what USAC approved for funding.	$404,949	$0	$404,949
Finding No. 2, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Quantities and Services Not Approved for Funding. One Service Provider invoiced USAC for equipment and services	$83,328	$0	$83,328

[2] The monetary effect column represents the actual dollar effect of the finding without taking into account any recovery that overlaps between findings.
[3] The overlapping recovery column represents disbursements that have already been recommended for recovery in a previous finding and that therefore cannot be recovered as part of another finding.
[4] Amounts in the USAC recovery action column represent the total funds that we recommend USAC recover. These amounts may be less than the amounts reported in the monetary effect column if we were required to subtract overlapping recovery amounts to avoid duplicative recoveries.

Audit Results	Monetary Effect[2]	Overlapping Recovery[3]	USAC Recovery Action[4]
exceeding amounts USAC approved for funding.			
Finding No. 3, 47 C.F.R. § 54.502(d)(6) (2021) – Equipment Not Used for Educational Purposes. The Beneficiary installed access points and antennas at ineligible non-instructional facilities (NIFs). .	$38,670	$5,022	$33,648
Finding No. 4, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Equipment Not Received. One Service Provider invoiced USAC for equipment that the Service Provider did not provide to the Beneficiary.	$3,471	$873	$2,598
Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed the Beneficiaries for the Discounted Share of Costs While Using the SPI Method. One Service Provider billed the Beneficiary for the discounted share of costs under the SPI method.	$0	$0	$0
Total Net Monetary Effect	**$530,418**	**$5,895**	**$524,523**

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 FCC Rules. In addition, USAC Management will conduct outreach to the 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 FRN.

FRN	Commitment Adjustment	Recovery Amount
2299038158	$0	$441,195
2299054250	$0	$83,328

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2022. The Beneficiary is a school district located in San Diego, California, that serves more than 95,000 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2022 as of November 12, 2024, the date that we completed our initial fieldwork testing.[5]

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$14,308,538	$3,788,975
Internet Access	$982,378	$815,878
Total	**$15,290,916**	**$4,604,853**

The "amount committed" total represents three FCC Form 471*, Description of Services Ordered and Certification Form*, applications submitted by the Beneficiary for FY 2022 that resulted in five Funding Request Numbers (FRNs). We selected a sample of three of the FRNs,[6] which represent $15,241,523 of the funds committed and $4,603,426 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. We obtained and examined documentation to determine whether it supported the Beneficiary's effective use of funding and ensure adequate controls existed to determine whether funds were used in accordance with the FCC rules. We conducted inquiries 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.

B. Competitive Bidding Process

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

[5] On November 12, 2024, we expanded the audit scope to include $552,966 disbursed for FRN 2299054250 and $3,606,357 disbursed for FRN 2299038158 after our audit announcement date of April 19, 2024.
[6] Our sample included FRNs 2299054250, 2299038194, and 2299038158.

C. Invoicing Process

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

D. Site Visit

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

E. Reimbursement Process

We obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. 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 Findings and Other Matter

Finding No. 1, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Rates and Equipment Not Approved for Funding

Condition

One of the selected Service Providers, Vector Resources, Inc. (Vector), included equipment costs in its SPI Forms for FRN 2299038158 at unit prices and quantities that exceeded those on the Beneficiary's approved FCC Form 471. As a result, Vector over-invoiced the E-Rate program by $506,186 ($475,084 plus $31,102), as detailed below.

- **Rates that exceeded the amounts approved for funding.** Vector invoiced the E-Rate program for equipment at the unit prices detailed in the Beneficiary's Notice to Proceed.[7] However, the unit prices invoiced exceeded the unit prices the Beneficiary included in its

[7]The Beneficiary issued the Notice to Proceed to the Service Provider authorizing it to proceed with construction at agreed-upon equipment prices.

approved FCC Form 471 and resulted in Vector invoicing USAC for $475,084 in ineligible costs that should have been billed to the Beneficiary, as illustrated in the table below:

Part Number	Unit Price Per Bill (A)	Unit Price per 471 (B)	Unit Price Exceeded by (C)=(A)-(B)	Quantity Billed (D)	Total Amount Exceeding 471 (E)=(C)*(D)	Retention[8] (F)	Pre-discount Total (Rounded) (G)=(E)-(F)
C9130AXE-B	$1,406.98	$1,233.39	$173.59	74	$12,845.66	$642.28	$12,203
C9130AXI-EWC-B	$1,347.36	$1,181.12	$166.24	644	$107,058.56	$5,352.93	$101,706
C9300-24UXB-A	$9,240.71	$8,100.61	$1,140.10	168	$191,536.80	$9,576.84	$181,960
C9300-NM-8X	$1,520.25	$1,332.68	$187.57	171	$32,074.47	$1,603.72	$30,471
C9400-LC-24XS	$14,594.34	$12,793.74	$1,800.60	22	$39,613.20	$1,980.66	$37,633
C9400-LC-48H	$5,472.88	$4,797.65	$675.23	9	$6,077.07	$303.85	$5,773
C9400-PWR-3200AC	$1,216.20	$1,066.14	$150.06	36	$5,402.16	$270.11	$5,132
C9400-SSD-240GB	$1,216.20	$1,066.14	$150.06	17	$2,551.02	$127.55	$2,423
C9400-SUP-1XL	$11,553.86	$10,128.38	$1,425.48	9	$12,829.32	$641.47	$12,188
C9400-SUP-1XL/2	$11,553.86	$10,128.38	$1,425.48	3	$4,276.44	$213.82	$4,063
C9407R	$3,040.49	$2,665.36	$375.13	4	$1,500.52	$75.03	$1,425
C9410R	$4,864.78	$4,264.58	$600.20	5	$3,001.00	$150.05	$2,851
CAB-SPWR-30CM	$73.05	$49.65	$23.40	20	$468.00	$23.40	$445
C-ANT9103	$1,370.61	$1,201.50	$169.11	74	$12,514.14	$625.71	$11,888
SFP-10G-SR=	$593.20	$539.25	$53.95	600	$32,370.00	$1,618.50	$30,752
CA Tax at 7.75%					$35,969.17	$1,798.46	$34,171
Total Over-invoiced							**$475,084**

- **Equipment exceeding quantities USAC approved for funding.** Vector invoiced the E-Rate program for six C9400-SUP-1XL modules: two modules installed in three locations. However, the Beneficiary only included one module for each location on its approved FCC Form 471. The three additional modules were ineligible E-Rate program costs and charged as a result of an oversight[9] and should have been billed to the Beneficiary. We calculated the over-invoiced costs as follows:

[8] Vector withheld a five percent retention from its bills and the amounts invoiced to USAC. Vector will invoice these costs when the project is completed.

[9] We inquired with the Beneficiary on October 8, 2024 via email and the Beneficiary noted that this was caused by an oversight in the initial engineering phase that resulted in some sites having both supervisor modules marked as eligible when only one should have been marked as eligible. The Beneficiary indicated that the Service Provider would modify the contract to identify those that are ineligible.

Location	Unit Price (A)	Quantity (B)	Total (C)= (A)*(B)	Retention (D)	Pre-discount Total (E)=(C)-(D)
Lewis Middle School	$11,553.86	1	$11,554.86	$577.69	$10,976
Marston Middle School	$11,553.86	1	$11,554.86	$577.69	$10,976
Riley New Dawn School	$11,553.86	1	$11,554.86	$577.69	$10,976
CA Tax at 7.75%			$2,686.27	$134.31	$2,552
Less: Price and Tax Exceeding Form 471 (first bullet above)	$(1,535.95)	3	$(4,607.85)	$(230.39)	$(4,378)
Total					**$31,102**

Cause
Vector did not have adequate policies, controls, and procedures in place to ensure that it only invoiced the E-Rate program for eligible equipment and services at the rates and quantities that USAC approved for funding. Further, the Beneficiary did not have adequate policies, controls, and procedures in place to ensure that it was invoiced for and paid its ineligible costs and/or to ensure Service Provider bills accurately reflected cost allocation of items ineligible for E-Rate support.

Effect
The monetary effect of this finding is $404,949 ($506,186 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2299038158	$404,949	$404,949

Recommendations
We recommend that:

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

2. The Service Provider implement policies, controls, and procedures to ensure that it only invoices the E-Rate program for equipment quantities and rates that USAC approved for funding.

3. The Beneficiary implement policies, controls, and procedures to ensure that the Beneficiary reviews the Service Provider bills for accuracy and pays its ineligible costs.

Service Provider Response
At the time of this audit, Vector had not yet completed work or issued final billing for any of these sites. The audit was conducted during the course of a large multi-year project. Vector performs comprehensive internal audits of all projects upon completion and prior to final billing

to the district and to USAC. This process ensures billing accuracy and allows any discrepancies to identified and resolved.

1. *Regarding Overbilling of eligible components*
   To rectify this billing issue, as outlined above, VectorUSA has implemented processes and procedures, which will include updates in our Cost Sheets to ensure that the costs are aligned with the Form 471 submittal – e.g. a new column will indicate the cost on the Form 471 Item 21 costs. In addition, VectorUSA has also strengthened the quality control and E-rate compliance reviews to avoid discrepancies.

2. *Regarding the supervisor engine eligibility*
   Multiple supervisor engines were installed due to an oversight in the initial engineering phase that resulted in some sites identifying both supervisor modules as eligible, when only one should have been eligible. This supervisor module is one of the few parts that has the exact same part number, description and use, but only one module is eligible per switch. To rectify this, VectorUSA has implemented a process that includes identifying this component in a notes section on the cost sheet, to clearly indicating (sic) that only one unit is eligible.

Additional Observations:
**Total Over-invoiced amount listed in this table doesn't match with the amount listed in the paragraph from page 1.*

*** The audit report does not include the applicable CA tax on the overages. As a result, both the calculated "Monetary Effect" and "Recommended Recovery" are inaccurate.*

Please see Appendix A: Vector's Corrective Actions Related to Invoice for corrective actions outlined by Vector related to this finding.

Auditor Response to the Service Provider Response
Based on the Service Provider's response, we updated the finding to include applicable California sales taxes of 7.75% in the monetary effect and recommended recovery.

Beneficiary Response
We appreciate the opportunity to respond to this preliminary audit finding and would like to emphasize that the associated projects are part of a large-scale, multi-million dollar, multi-year initiative that remains in progress and was not complete at the time of the audit.

We require E-rate compliance reviews to be conducted by the Service Provider to ensure that their cost sheets are accurate and align with the contractual obligations outlined in the "E-Rate Supplemental Terms and Conditions" of our agreement with the Service Provider. This is necessary to ensure that billings submitted for our review are based on accurate cost sheet data.

The timing of the audit occurred before the Service Provider's final billing reconciliation, quality control review, and project closeout processes.

We are working closely with the Service Provider to ensure that they issue the appropriate credits directly to USAC for any overcharges as the projects reach final completion and undergo a progressive quality control process.

Auditor Response to the Beneficiary Response
Our position on this finding and associated recommendations has not changed as the Beneficiary is responsible for paying its non-discount share, including all ineligible costs. Accordingly, the Beneficiary needs to implement its own policies, controls, and procedures to ensure that the Service Provider bills to the Beneficiary are accurate and include all costs that are not eligible for E-Rate funding, rather than relying on the Service Provider's procedures.

Finding No. 2, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Quantities and Services Not Approved for Funding

Condition
One of the selected Service Providers, Cox California Telecom, LLC (Cox), invoiced the E-Rate program for internet access services that were not included within the Beneficiary's FCC Form 471 for FRN 2299054250. Specifically, Cox over-invoiced the E-Rate program by $104,160 ($71,265 plus $32,280 plus $615), as follows:

- Cox invoiced the E-Rate program for 47 Metro E-1Gb UNI Intrastate circuits in excess of the quantity approved per the FCC Form 471 the Beneficiary submitted to USAC.[10] In addition, some of the excess circuits were installed in locations that the Beneficiary had not listed as recipients of service on its FCC Form 471 or in locations that the Beneficiary had listed on its FCC Form 471 under an FRN line item that was not funded in its Funding Commitment Decision Letter (FCDL). The excess circuits, which had a pre-discount cost of $71,265, as illustrated in the table below, were ineligible E-Rate program costs and should have been billed to the Beneficiary.

[10] The Beneficiary contracted for the excess circuits after the Form 471 was submitted.

Number of Circuits Invoiced to USAC (A)	Number of Circuits on Form 471 (B)	Number of Excess Circuits Invoiced (C)=(A)-(B)	Billing Period	Monthly Recurring Cost (MRC) (D)	Estimated Monthly Average Tax per Circuit[11] (E)	Number of Months (F)	Pre-discount Amount (G)=(C)*((D)+(E))*(F)
197	173	24	7/1/2022 – 12/31/ 2022	$235	$20.77	6	$36,831
196	173	23	1/1/2023 – 6/30/ 2023	$235	$14.52	6	$34,434
Total							**$71,265**

- Cox invoiced the E-Rate program for 12 months of 10G Wavelength Service Intrastate services provided to two locations that the Beneficiary included on its Form 471 but were not funded in its FCDL. These services, which totaled $32,280 as illustrated in the table below, were ineligible E-Rate program costs and should have been billed to the Beneficiary.

Location	MRC Invoiced to USAC (A)	Number of Months (B)	Total MRC Invoiced to USAC (C)= (A)*(B)	Total Taxes Invoiced to USAC (D)	Pre-discount Amount (E)=(C)+(D)
San Diego Unified School District -District Office	$1,250	12	$15,000	$1,140	$16,140
Serra Junipero High School	$1,250	12	$15,000	$1,140	$16,140
Total					**$32,280**

- Cox invoiced the E-Rate program for Metro E-1Gb UNI Intrastate services; however, the Beneficiary only requested and received funding for Metro E-100Mb UNI Intrastate services. As a result, Cox's invoices to USAC exceeded the amount approved for funding by $615 as illustrated in the table below, and this amount should have been billed to the Beneficiary.

[11] To estimate the taxes invoiced on the circuits, we calculated the average monthly taxes billed per circuit for the Metro 1G service for each 6-month period.

Location	MRC Invoiced to USAC (A)	MRC per 471 (B)	Pre-discount Amount (C)=(A)-(B)
Bayview Terrace/Barnard Elementary	$267	$160	$107
Crown Point Elementary School	$260	$160	$100
Paradise Hills Elementary School	$275	$160	$115
Ross Elementary School	$270	$160	$110
Whitman Elementary School	$253	$160	$93
Whittier Center/ Del Sol Academy	$250	$160	$90
Total			**$615**

Cause
Cox did not have adequate policies, controls, and procedures in place to ensure that it only invoiced the E-Rate program for the quantities and services that USAC approved for funding. The Beneficiary did not have adequate policies, controls, and procedures in place to ensure that the Beneficiary paid for its ineligible costs and verified that its Service Provider bills accurately reflected E-Rate and non E-Rate costs.

Effect
The monetary effect of this finding is $83,328 ($104,160 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2299054250	$83,328	$83,328

Recommendations
We recommend that:

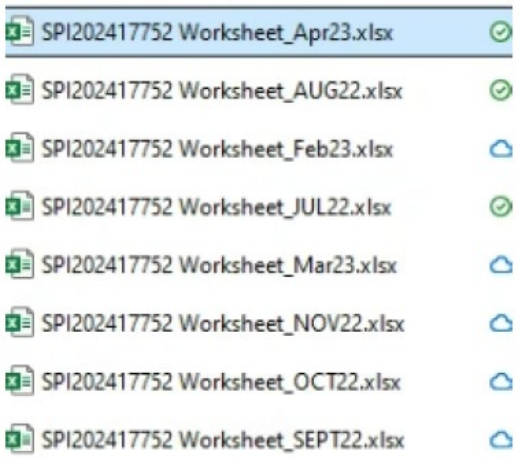
1. The E-Rate program seek recovery of the amounts identified in the Effect section above.

2. The Service Provider implement policies, controls, and procedures to ensure that it only invoices the E-Rate program for quantities and services that USAC has approved for funding.

3. The Beneficiary implement policies, controls, and procedures to ensure that the Beneficiary reviews the Service Provider bills for accuracy and pays its ineligible costs.

Service Provider Response
Cox contends that the 197 Metro-E services and all nine 10Gb Wave services delivered should have been eligible for E-Rate support. These services were competitively bid for and correctly filed during the Form 471 filing process. It appears that a Beneficiary clerical error pursuant to PIA Review initiated an unwarranted reduction to the quantity of services. Ultimately, these

eligible services were delivered to the Beneficiary, but the finding is correct that since the reduction was made on the FCDL the extra circuits should not have been invoiced to USAC. We note that Cox received invoice reviews for eight of the twelve months by USAC and was NOT alerted by USAC of this clerical error.



As a direct response to this audit, we are implementing best practices to include periodic meetings with both the Beneficiary and the Beneficiary's consultant to keep all parties informed of service changes as well as alerting all parties to changes to funding commitments which will be inclusive of entity updates to FRNs.

Additionally, to help catch unwarranted modifications, Cox now uses a tool that flags changes to funding requests which in part uses data from USAC's January 20, 2022 Open Data update. This alert now allows Cox staff to make the adjustments necessary for proper billing to USAC.

Auditor Response to the Service Provider Response

Although the Service Provider contends that the 197 Metro-E services and all nine 10Gb Wave services delivered should have been eligible for E-Rate support, because the quantity and amounts invoiced exceeded the FCDL, they are not eligible for funding. Further, while the Service Provider noted that a clerical issue by the Beneficiary caused it to invoice services not included in the FCDL, because it is the Service Provider's responsibility to ensure that it only invoices USAC for eligible service costs, our position regarding this finding has not changed. However, we did note that it appears that the remedial action that the Service Provider described in its response should be sufficient to address the issue.

Beneficiary Response

For this portion of the finding $615.00)[sic], we have no choice but to accept it however, the services involved in this finding are related to mid-month upgrades and USAC's processes do not allow for this circumstance in any corrective action. SDUSD will decide whether to pursue relief from the Commission in an effort to put a spotlight on this deficiency.

SDUSD maintains a rigorous internal control process on an ongoing basis. In this instance, however, the issue stemmed from the E-rate consultant's failure to appropriately document the

existence of fully executed addendums to the contract incorporating the additional circuits during a rigorous Selective Review in 2022. The modifications made to the original FRN during review due to this error were not effectively communicated to the district's point person or the Service Provider. SDUSD will work closely with its consultants moving forward to ensure all required filings are submitted timely and that communication is clear and comprehensive to prevent similar issues.

Auditor Response to the Beneficiary Response
Our position on this finding and associated recommendations has not changed. USAC funding is only available for the services approved on the Beneficiary's Form 471. If the Beneficiary anticipated upgrading its services during the funding year, then the Beneficiary could have requested partial year E-Rate program funding for the upgraded services.

We reiterate that the Beneficiary needs to implement its own policies, controls, and procedures to ensure that the Service Provider's bills to the Beneficiary are accurate and all ineligible amounts are paid by the Beneficiary and not through the E-Rate program.

Finding No. 3, 47 C.F.R. § 54.502(d)(6) (2021) – Equipment Not Used for Educational Purposes

Condition
The Beneficiary installed access points and antennas at non-instructional facilities (NIFs) that are not used for educational purposes and are therefore ineligible under FCC rules. One of the selected Service Providers, Vector, invoiced the E-Rate program for 17 access points and 17 antennas installed in school stadiums.[12] While the stadiums are located on the school's campus, the stadiums are separated from the instructional buildings by a parking lot and/or tennis courts. In addition, the network maps for the stadiums demonstrated that 1) the antennas and access points were installed in ticket booths, concession stands, and press boxes, 2) the stadiums did not have any locations identified for providing instruction to students (e.g. classroom), and 3) the antennas and access points installed at the stadiums did not communicate with any instructional buildings within the school's campus.[13]

[12] Access points and antennas are considered Category 2 connections and per *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, 36 FCC Rcd 17783, DA 21-1602, Appendix B, pgs. 9, 12 (2021) (*2022 Eligible Services List*), "[E-rate support] is limited to the internal connections necessary to bring broadband into, and provide it throughout, schools and libraries".
[13] 47 C.F.R. § 54.502(d)(6) (2021); see *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, pg. 124 (2014) (*First 2014 E-Rate Order*) states that "Support is not available for category two services provided to or within non-instructional school 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 the Commission has found that the use of those services meets the definition of educational purpose, as defined in § 54.500." Further, 47 C.F.R. § 54.500 states "a "wide area network" is a voice or data network that provides connections from one or more computers within an eligible school to one or more computers or networks that are external to such eligible school. Excluded from this definition is a voice or data network that provides connections between or among instructional buildings of a single school or campus…". Additionally, *Schools and Libraries Universal Service*

Further, during our virtual inspection, Beneficiary personnel stated that the Beneficiary uses the equipment to 1) provide Internet access for parents to buy tickets online/in person at the ticket booths, as the sales systems are online; 2) stream games from the press boxes; and 3) run the point of sale (POS) systems at the concession stands.

Since the antennas and access points are not shared equipment, are not being used for any educational purposes,[14] and the network maps demonstrate that the installation of the antennas and access points were not essential for the effective transport of information within one or more instructional buildings of a school[15] or necessary for the effective functionality of the existing networks, the installation and use of the antennas and access points at the stadiums are ineligible under E-Rate regulations. We calculated the cost of ineligible equipment as follows:

Support Mechanism et. al., CC Docket No. 02-6 et. al., Report and Order and Further Notice of Proposed Rulemaking, 38 FCC Rcd 6842, FCC 23-56, paras. 28, 29 (2023) (*2023 Tribal Order*) states that "cabling "drops" or "jacks" that are part of a local area network primarily serving an eligible purpose (i.e., distributing broadband throughout a school or library building) are eligible for E-Rate and do not require cost allocation.)".

[14] 47 C.F.R. § 54.500 (2021) states "activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate and proximate to the provision of library services to library patrons, qualify as "educational purposes." Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons.". See also *Schools and Libraries Universal Service Support Mechanism et al.,* CC Docket No. 02-6, Sixth Report and Order, 25 FCC Rcd 18762, FCC 10-175, para. 20 (2010).

[15] 47 C.F.R. § 54.502(d)(6) (2021), *First 2014 E-Rate Order*, FCC 14-99, pg. 124 and *2023 Tribal* Order, FCC 23-56, para. 29 state "While NIFs are eligible for category one support, category two support is generally not available for NIFs unless the equipment is "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." This is generally a district switch located in an administrative building or data center."

School	Part Number	Location	Unit Price from Bill (A)	Quantity (B)	Total Cost (C)=(A)*(B)	Retention [16](D)	Pre-discount Total (Rounded) (E)=(C)-(D)
Clairemont	C9130AXE-B	Visitor Coaches	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Visitor Coaches	$1,370.61	1	$1,370.61	$68.53	$1,302
	C9130AXE-B	Ticket Booth North	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Ticket Booth North	$1,370.61	1	$1,370.61	$68.53	$1,302
	C9130AXE-B	Ticket Booth South	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Ticket Booth South	$1,370.61	1	$1,370.61	$68.53	$1,302
	C9130AXE-B	Scorer	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Scorer	$1,370.61	1	$1,370.61	$68.53	$1,302
Henry	C9130AXE-B	Concession	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Concession	$1,370.61	1	$1,370.61	$68.53	$1,302
	C9130AXE-B	Pressbox	$1,406.98	4	$5,627.92	$281.40	$5,347
	C-ANT9103=	Pressbox	$1,370.61	4	$5,482.44	$274.12	$5,208
	C9130AXE-B	Baseball Concession	$1,406.98	3	$4,220.94	$211.05	$4,010
	C-ANT9103=	Baseball Concession	$1,370.61	3	$4,111.83	$205.59	$3,906
	C9130AXE-B	Softball Concession	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Softball Concession	$1,370.61	1	$1,370.61	$68.53	$1,302
University City	C9130AXE-B	Concession 700	$1,406.98	1	$1,406.98	$70.35	$1,337
	C-ANT9103=	Concession 700	$1,370.61	1	$1,370.61	$68.53	$1,302
	C9130AXE-B	Press Box	$1,406.98	3	$4,220.94	$211.05	$4,010
	C-ANT9103=	Press Box	$1,370.61	3	$4,111.83	$205.59	$3,906
CA Tax at 7.75%					$3,659.47	$182.97	$3,477
		Total					**$48,337**

[16]Vector withheld a five percent retention from its bills and the amounts invoiced to USAC. Vector will invoice these costs when the project is completed.

Cause
The Beneficiary did not have adequate policies, controls, and procedures in place to ensure that it only used E-Rate-funded equipment for eligible purposes and at eligible locations. Further, the Service Provider did not have adequate policies, controls, and procedures in place to ensure that it did not invoice the E-Rate program for equipment installed in ineligible locations.

Effect
The monetary effect of this finding is $38,670 ($48,337 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Overlapping Recovery[17]	Recommended Recovery
Internet Access FRN 2299038158	$38,670	$5,022	$33,648

Recommendations
We recommend that:

1. The E-Rate program seeks recovery of the amounts identified in the Effect section above.

2. The Service Provider implement policies, controls, and procedures to ensure that it only invoices the E-Rate program for equipment installed in eligible locations.

3. The Beneficiary implement policies, controls, and procedures to ensure that it only uses E-Rate-funded equipment for educational purposes.[18]

Service Provider Response
VectorUSA strongly disagrees with this Finding 3. VectorUSA did argue in favor of Wi-Fi in common areas in our initial response to the auditor. Please see the following explanation and excerpts from the USACs Schools and libraries website.

As part of VectorUSA's design, wireless access points (WAPs) were placed in or near some press box, ticket booths and concession stands to provide a secure and weatherproof installation. These WAPs provide necessary Internet Access to student press, students and staff that utilize the fields for educational purposes such as athletics and homework. The potential use of WAPs in

[17] This amount duplicates costs recommended for recovery in Finding No. 1.
[18] *In the Matter of Request for Review of a Decision of the Universal Service Administrator by Integrity Communications Ltd*., CC Docket No. 02-6, 24 FCC Rcd 11186, 11191, DA 10-1244, paras. 12 and 18 (2009) states "USAC must monitor compliance with the E-rate and is responsible to develop administrative procedures for dealing with applicants and service providers who are found to be non-compliant with Commission rules as the result of an audit and finding that USAC acted appropriately by requiring the auditee to file a compliance plan to address the audit finding(s)." (*Auditee Compliance Plan Order*)

these areas for Point of Sale (POS) is ancillary to the use of these Access Points for Educational Purpose and is nearly impossible to cost allocate.

From the USAC Website:
Ancillary Use - Universal Service Administrative Company
"When a product or service is partially eligible for support but contains ineligible components, a cost allocation is usually required so that funding can be provided only for the eligible portion. However, in some cases, ineligible features are an insubstantial and inseparable part of a product or service."

To accomplish this, all common areas including athletic fields should be eligible for both Internal Connections and Internet Access.

Educational Purpose does not exclude Athletics. We consider this is an essential component of meeting the needs of the whole child.

The athletic fields and surrounding areas are considered common areas on the campus. Our understanding in this regard comes from the following Commission comments regarding common areas, excerpts are below this paragraph. Since the Commissioners are using this language, VectorUSA understands that there is not a disagreement that common areas are eligible. We note that many schools have student press and that the APs in press boxes provide overlapping wi-fi necessary for BYOD and common area service. See below for Common area language used by the Commission:

Page 13 of the WC Docket No. 13-184 (In the Matter of Modernizing the E-rate Program for Schools and Libraries)

"29. The record demonstrates that schools and libraries, recognizing the importance of high-speed broadband to utilize the variety of Wi-Fi enabled devices for educational purposes, are racing to deploy and upgrade their networks. Specifically, schools and libraries are working to upgrade local area networks (LANs) and wireless local area networks (WLANs or Wi-Fi networks) to deliver high-speed broadband to every student and patron device. School districts are increasingly implementing one-to-one student to device initiatives and bring your own device (BYOD) programs that require high-density Wi-Fi coverage in every classroom and common area. "

Page 35 of the WC Docket No. 13-184 (In the Matter of Modernizing the E-rate Program for Schools and Libraries)

"91. School Budget. We set a pre-discount budget of $150 per student over five years for schools. The record demonstrates that $2,500 per classroom, which is equal to just under $150 per student based on a ratio of 17 students per classroom, should be a sufficient budget to deploy LANs/WLANs to elementary and secondary school classrooms and common areas across the nation. "

VectorUSA maintains that the very definition of "Common Areas" would include any property that is "commonly used by students, teachers and administrators". Athletic fields are certainly integral, immediate and proximate to the Athletic Educational Programs conducted by the district such as football, baseball, basketball, soccer and other athletic programs. And the common areas which these Access Points provide connectivity to - are eligible.

From USAC's website. ***Educational Purposes - Universal Service Administrative Company:***

Definition of Educational Purposes
"E-Rate program discounts are limited to services used for "educational purposes." E-Rate applicants must therefore certify that funds will be used primarily for educational purposes, defined as activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate, and proximate to the provision of library services to library patrons."

"Activities that customarily occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons and are therefore eligible for discounts on associated services."

"Eligible activities for schools include, but are not limited to, the school-related activities of school administrators, school counselors, school nurses, school technology workers, cafeteria workers, and school bus drivers."

In its simplest form, the FCC RULE states:
https://www.ecfr.gov/current/title-47/chapter-I/subchapter-B/part-54

Subpart F—Universal Service Support for Schools and Libraries
§ 54.500 Terms and definitions.
For purposes of this subpart, activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate and proximate to the provision of library services to library patrons, qualify as "educational purposes." Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons.

§ 54.502 Eligible services.
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. (see above).

And finally, we direct you to the USAC website which states:
Non-Instructional Facilities (NIFs) - Universal Service Administrative Company

"Eligibility of Category Two Services On-site
NIFs are ineligible for Category Two services unless those 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 the services meets the definition of educational purposes. Schools and libraries no longer have to deduct the cost of the NIF's use of the Category Two equipment or services."

Additional Observations:
***As indicated above (page 4) the overage does not include the applicable CA tax. As a result, both the calculated "Monetary Effect" and "Recommended Recovery" are inaccurate.*

Vector also provided 3 exhibits labeled as evidence related to this finding. These are presented in this report as Appendix B.

Beneficiary Response
Executive Summary
San Diego Unified School District ("SDUSD" or "the District") is pleased to submit its Formal Response to Audit Finding No. 3, which concludes that "the antennas and access points at the stadiums are ineligible under E-Rate regulations" based on the assertion that the antennas and access points "are not being used for any educational purposes." This Response will demonstrate that the antennas and wireless access points ("WAPs") listed in the Finding are located entirely on school property and were designed, deployed, and used primarily to support "educational purposes" in the areas they serve and that these activities are "integral, immediate, and proximate to the education of students" per the definitions in 47 C.F.R. § 54.500.

On-School Property
All locations listed in the Finding are located wholly on the schools' contiguous property. (See EXHIBIT 1). All such locations are situated entirely on school property and the instructional activities that occur there meet the definition of "educational purposes" in 47 C.F.R. § 54.500. The Commission's rules do not define "educational purposes" by reference to specific room types or building labels, nor do they limit instructional activities to traditional classroom settings.

Primary Educational Use
The WAPs listed in the Finding serve primarily educational purposes. Their primary function is to support student instruction, teacher-led activities, and supervised learning in these spaces. These activities are clearly "integral, immediate, and proximate to the education of students." Students gather in these areas for supervised instruction, structured learning, and school-sponsored educational activities. Certificated teachers deliver instruction. Students are supervised, assessed, and engaged in structured learning activities; attendance is taken; and instructional objectives are taught and evaluated. As one example, physical education is provided in school stadiums and athletic fields as part of a state-mandated curriculum.
Due to San Diego's unique climate, SDUSD's outdoor common instructional areas (including school stadium and athletic field areas) host educational activities year-round. Daily instruction

is delivered by certificated educators, aligns with curricular objectives, and is assessed through formal educational processes.

Examples and descriptions of the educational activities conducted in these areas are documented by statements from educational leaders in EXHIBIT 2. These materials establish that the equipment listed in the Finding is used for "educational purposes" within the meaning of § 54.500. FCC's modernization of the E-Rate program reflects its recognition that instruction, learning, and educational engagement occur throughout school property and not solely in traditional classroom buildings. The Commission expressly acknowledged that schools require high-density Wi-Fi coverage not only in classrooms but also in "common areas." (Modernizing the E-Rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order, FCC 14-99, ¶ 29 (2014)). The Commission expressly recognized that modern learning environments are mobile, device-driven, and distributed on school property where students gather for educational activities.

Mounting Locations
The selection of the mounting locations listed in the Finding was based on the most cost-efective and technically appropriate method to deliver coverage to common instructional areas. Mounting points were specified after thorough analysis of engineering constraints such as power availability, structural support, line-of-sight, coverage geometry, and anticipated user density. The components identified in the Finding are all exterior WAP and antenna assemblies, which must be installed where these constraints can be satisfied—typically on the exterior of existing school structures located in or near the intended coverage area. The placement of the equipment reflects sound network design which supports the educational purpose of the services provided. These WAPs were designed and deployed as part of the district's "internal connections" network to provide wireless coverage to common educational areas within school property. Signal coverage "heat maps" included as EXHIBIT 3 demonstrate that the equipment listed in the Finding provides wireless saturation to large areas within the school property where instructional activities occur. EXHIBIT 3 confirms that the antennas and WAPs identified in the Finding function as integral components of a school-wide instructional network and are used primarily for educational purposes.

Conclusion and Requested Relief
The equipment listed in the Finding was designed, deployed, and used primarily for educational purposes on the school property. The areas they serve are instructional environments where teaching and learning occur daily. For these reasons, SDUSD respectfully requests that the ineligibility determination in Audit Finding No. 3 be reversed and that the recommended recovery be withdrawn.

Auditor Response to the Service Provider and Beneficiary Responses
Support is not available for category two services provided to or within NIFs unless those category two services are essential for the effective transport of information to or within one or more instructional buildings of a school (i.e. internal connections) or the Commission has found

that the use of those services meets the definition of educational purpose.[19] As noted in the condition, the antennas and access points installed at the stadiums did not communicate with any instructional buildings within the school's campus and were not essential for the effective transport of information within one or more instructional buildings of a school or necessary for the effective functionality of the existing networks. The antennas and access points are installed at press boxes and concession stands at the schools' athletic fields. Further, we found that the Beneficiary's network maps demonstrate that these additional access points were not essential for the effective transport of information to or within one or more instructional buildings and were not necessary for the effective operation of the local area network.[20]

Additionally, most of the activities the Beneficiary describes in its response such as spirit days, pep rallies, ASB events, Special Olympics, heart rate monitoring and extracurricular sports activities do not meet the definition of educational purpose.[21] Schools must primarily use services funded under the E-Rate program for educational purposes, meaning students always get first priority in the use of the schools' resources.[22] E-Rate supported facilities and services must be primarily used for educational purposes and schools must certify that "the services the applicant purchases at discounts will be used primarily for educational purposes."[23]

As detailed herein, the stadium and various locations where the antennas and access points were installed are not considered instructional buildings because they are not primarily used for educational purposes as required to be eligible for E-Rate support. Furthermore, in this case, any activities that occur at the school are not presumed to be integral, immediate, and proximate to the education of students because only the portion of the grounds occupied by the instructional buildings for each school is a campus for that school.[24]

Finally, cost allocation is not required for shared equipment and/or cabling "drops" or "jacks" that are part of a local area network primarily serving an eligible purpose.[25] These antennas and wireless access points are neither shared equipment, nor are they cabling drops or jacks, nor are they part of a local area network as described herein. Additionally, the antennas and wireless access points were separately invoiced as Category 2 equipment and should have been cost allocated from the eligible equipment and services requested.[26]

---

[19] See 47 C.F.R. § 54.502(d)(6) (2021),*First 2014 E-Rate Order*, FCC 14-99, pg. 124; *2023 Tribal* Order, FCC 23-56, para. 29; and *2022 Eligible Services List*, DA 21-1602, Appendix B, pgs. 9, 12.
[20] The Beneficiary's equipment is part of a "wide area network" and not part of its local area network because it makes up a network that provides connections from one or more computers within an eligible school to one or more computers or networks that are external to such eligible school. (See 47 C.F.R. § 54.500 (2021).)
[21] See 47 C.F.R. § 54.500 (2021); *Sixth Report and Order,* FCC 10-175, at para. 20; and *2023 Tribal Order,* FCC 23-56, paras. 28, 29.
[22] See *Sixth Report and Order*, FCC 10-175, para. 22.
[23] *Id.* at para. 22, n. 98.
[24] See 47 C.F.R. § 54.500 (2021) and*2022 Eligible Services List,* DA 21-1602, at Appendix B.
[25] *2023 Tribal Order*, FCC 23-56, at paras. 28-29 and*2022 Eligible Services List*, DA 21-1602, Appendix B, pg. 7 state "The documents on USAC's website are not incorporated by reference into the ESL and do not bind the Commission. Thus, they will not be used to determine whether a service or product is eligible."
[26] See 47 C.F.R. §§ 54.502(a) (2021), 54.504(e)(1) (2021) and *2023 Tribal Order*, FCC 23-56, at para. 6.

Accordingly, our position on the eligibility of the equipment has not changed.

We did however agree with the Service Provider's observation that the draft finding did not include applicable sales taxes and have increased the finding's monetary effect and recommended recovery to include sales taxes.

Finding No. 4, FCC Form 473, SPAC Form at Block 2; FCC Form 474, SPI Form at Block 3 – Service Provider Invoiced the E-Rate Program for Equipment Not Received

Condition
One of the selected Service Providers, Vector, billed the Beneficiary and invoiced the E-Rate program $4,339 under FRN 2299038158 for access points, antennas, and cables that Vector did not ultimately provide to the Beneficiary, as the Beneficiary determined that the equipment was no longer needed.

Part Number	Unit Price (A)	Quantity (B)	Subtotal (C)=(A)*(B)	Retention (D)	Total (E)=(C)-(D)
C9130AXE-B	$1,407	1	$1,407	$70	$1,337
C-ANT9103	$1,371	1	$1,371	$69	$1,302
CAB-SPWR-30CM	$73	20	$1,461	$73	$1,388
CA Tax at 7.75%			$328	$16	$312
Total					**$4,339**

Cause
Vector did not have adequate policies, controls, and procedures in place to ensure that it only billed the Beneficiary for the equipment that it ultimately delivered. Specifically, because Vector billed the Beneficiary based on percentage of completion, it inadvertently included the cost of equipment that was not installed. Vector stated that it has a standard self-audit process that it performs at the completion of a project and noted that during this process, Vector credits the Beneficiary and USAC for any overcharges identified in the final billing cycle. Vector stated that, because it has not yet completed the project and none of the Beneficiary's locations have undergone the final billing process, it has not yet performed its internal self-audit and credited USAC and the Beneficiary.

Additionally, the Beneficiary did not have adequate policies, controls, and procedures in place to ensure that it was only billed for equipment it received.

Effect
The monetary effect of this finding is $3,471 ($4,339 multiplied by the Beneficiary's 80 percent discount rate).

Support Type	Monetary Effect	Overlapping Recovery[27]	Recommended Recovery
Internet Access FRN 2299038158	$3,471	$873	$2,598

Recommendations
We recommend:

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

2. The Service Provider implement policies, controls and procedures to ensure that it only invoices the E-Rate program for equipment delivered to the Beneficiary.

3. The Service Provider refund the Beneficiary for its non-discount share of the equipment that it did not receive.

4. The Beneficiary implement policies, controls and procedures to ensure that the Service Provider bills it pays only include equipment that it has received.

Service Provider Response
As the auditor stated in the Finding 4 – One of the selected Service Providers, Vector, billed the Beneficiary and invoiced the E-Rate program $4,027 under FRN 2299038158 for access points, antennas, and cables that Vector did not ultimately provide to the Beneficiary, as it was determined that these were no longer needed and therefore were not provided.

At the time of this audit, Vector had not yet completed work or issued final billing for any of these sites. The audit was conducted during the course of a large multi-year project. Vector performs comprehensive internal audits of all projects upon completion and prior to final billing to the district and to USAC. This process ensures billing accuracy and allows any discrepancies to identified and resolved.

Given that conditions and designs may change during a long-duration project, USAC typically allows the contractor up to one year from the date of equipment receipt to installation of said equipment.

Additional Observations:
**The audit report incorrectly listed the unit price charged for component CAB-SPWR-30CM. The actual unit price billed was $56.65; therefore, the credit amount listed in the table above does not reflect the correct discrepancy.*
***As indicated above (page 4) the overage does not include the applicable CA tax. As a result, both the calculated "Monetary Effect" and "Recommended Recovery" are inaccurate.*

[27] This amount duplicates costs recommended for recovery in Finding No. 1.

[Please see Appendix A: Vector's Corrective Actions Related to Invoice for corrective actions outlined by Vector related to this finding.]

Auditor Response to the Service Provider Response
Our position on this finding has not changed.

The unit price of the CAB=SPWR-30CM is $73.05 as shown in our report. Vector provided us an excel file via email on October 18, 2024 labeled "USAC SDUSD Spreadsheet updated by VectorUSA" that listed the unit price and quantity of each piece of equipment Vector billed to San Diego as the Service Provider bills did not contain this level of detail. A screenshot of that file showing the $73.05 amount is below. Therefore, we made no change to our report related to the unit price for this equipment.

Location	Bill Numb	Description of Work	Part Number	Unit Price
Challenger Middle School	99979	Cisco Catalyst 9400 Series 7 slot chassis	C9407R	$ 3,040.49
Challenger Middle School	99979	**Cisco Catalyst 9400 Series 3200W AC Power Supply**	C9400-PWR-3200AC	$ 1,216.20
Challenger Middle School	99979	Cisco Catalyst 9400 Series Supervisor 1XL Module	C9400-SUP-1XL	$ 11,553.86
Challenger Middle School	99979	**Cisco Catalyst 9400 Series 240GB M2 SATA memory (Supervisor)**	C9400-SSD-240GB	$ 1,216.20
Challenger Middle School	99979	Cisco Catalyst 9400 Series 48-Port UPOE+ 10/100/1000 (RJ-45)	C9400-LC-48H	$ 5,472.88
Challenger Middle School	99979	Cisco Catalyst 9400 Series 24-Port 10 Gigabit Ethernet(SFP+)	C9400-LC-24XS	$ 14,594.34
Challenger Middle School	99979	10GBASE-SR SFP Module	SFP-10G-SR=	$ 593.20
Challenger Middle School	99979	Catalyst Stack Power Cable 30 CM	CAB-SPWR-30CM	$ 73.05

Additionally, the Service Provider asserted that the USAC allows up to one year after receipt to install equipment. However, FCC Rules require all equipment to be installed by the September 30th following the close of the funding year in which the equipment was funded, unless the Beneficiary requests and obtains an extension.[28] Accordingly, we made no change to our report regarding the applicable criteria.

We did however agree with the Service Provider's observation that the draft finding did not include applicable sales taxes. We have therefore updated the audit finding to include applicable California sales taxes of 7.75%, which resulted in an increase to the monetary effect and recommended recovery.

Beneficiary Response
We appreciate the opportunity to respond to this preliminary finding and respectfully offer the following clarification.

As previously noted, FRN 2299038158 is part of a multi-million dollar, multi-year "Internal Connections (Category Two)" initiative that remains in progress. Accordingly, reconciliation of billed versus delivered equipment is ongoing and is finalized at project closeout.

The Service Provider determined that certain equipment and cables were no longer needed and, as a result, did not install them at the school site. We are working with the Service Provider to ensure that they issue the appropriate credits directly to USAC for any unused materials as the project reaches final completion and undergo a progressive quality control process.

[28] See 47 C.F.R. §54.507(d)(4) (2021).

Auditor Response to the Beneficiary Response
Our position on this finding and associated recommendations has not changed. The Beneficiary is responsible for ensuring that the Service Provider bills it pays are accurate and only include equipment that the Beneficiary has received.[29]

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 Invoice Method

Condition
We obtained and examined the Service Provider bills to determine whether the Beneficiary's Service Providers only billed the Beneficiary for the non-discounted portion of billed costs (plus the cost of ineligible equipment and services) while using the SPI method. We determined that Cox's bills to the Beneficiary included the discounted share of eligible costs. Specifically, for FY 2022, the Beneficiary elected to receive E-Rate reimbursement from USAC for the following FRN using the SPI method[30] at the following discount rate:

FRN	Discount
2299054250	80%

Under the SPI method, service providers bill beneficiaries for only the non-discounted share of costs for eligible equipment and services (and the costs for any ineligible equipment and services) and invoice USAC for the remaining discounted share of the costs for eligible equipment and services. Thus, under the SPI method, beneficiaries are responsible for paying service providers only for the non-discounted share of costs (plus the costs of any ineligible equipment and services), and the service provider is required to invoice USAC for the discounted share of costs of eligible equipment and services in order to receive payment.[31] However, for this FRN, Cox instead billed the Beneficiary for the *full pre-discount costs* of the eligible services rather than only the Beneficiary's non-discounted share of the costs (plus the costs of any ineligible services). After Cox received reimbursement for the discounted share of the costs from USAC, it posted a credit for the same amount to the Beneficiary's accounts to be applied to future billing periods.

[29] See FCC Form 486, *Schools and Libraries Universal Service Receipt of Service Confirmation and Children's Internet Protection Act Certification Form* which requires applicants to notify USAC that equipment/services have been received/started). See also, USAC, Step 5: Invoice USAC, https://www.usac.org/e-rate/service-providers/step-5-invoicing/ (last visited Dec. 10, 2025) which requires eligible equipment to be delivered and/or services have started before the service provider may seek reimbursement from USAC.
[30] See *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, 29 FCC Rcd 8870, FCC 14-99, para. 235 (2014) (*First 2014 E-Rate Order*); *Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 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, 18 FCC Rcd 9202, FCC 03-101, paras. 46-47 (2003) (*Second Report and Order*).
[31] *Id*.

Cause
Cox did not have adequate controls and procedures in place to ensure compliance with FCC Rules.

Effect
As a result of the above-described improper use of the SPI method, Cox charged and collected more than the Beneficiary's non-discounted portion of the costs of eligible services during the period at issue. However, there is no monetary effect since Cox ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. We note that, by selecting the SPI reimbursement method, the Beneficiary was only required to pay Cox the non-discounted portion of the costs of the eligible services. Requiring that the Beneficiary 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.[32] In addition, requiring the Beneficiary to pay the full pre-discount costs could create serious cash flow problems and could disproportionately affect the most disadvantaged schools and libraries.[33]

Recommendation
We recommend that Cox implement policies, controls, and procedures to obtain and process FRN funding details so that it can apply billing discounts on a timely basis, and ensure that the Beneficiary who selects the SPI invoicing method is billed only for the non-discounted share of costs for the eligible services (plus the cost of any ineligible services). Cox should familiarize itself with the FCC Rules related to invoicing at https://www.usac.org/e-rate/service-providers/step-5-invoicing/. Additionally, Cox 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
Cox does not require beneficiaries who select the SPI method to pay the full pre-discount costs of the eligible services. While Cox does bill the full pre-discounted costs prior to the beneficiary obtaining Funding Commitment Decision Letters and Form 486 approvals, Cox does not require customers to pay the bill in full, nor does Cox penalize customers in any way for paying only the non-discounted portion of the costs. Specifically, we do not assess any late fees on partial payments made prior to credits being applied for E-Rate customers. Customers have the option of paying the bill in full and receiving credits on the back end or paying only the non-discounted portion of each bill. In terms of cash flow, some customers actually prefer to pay in full until discounts are applied as it benefits their budget planning processes.

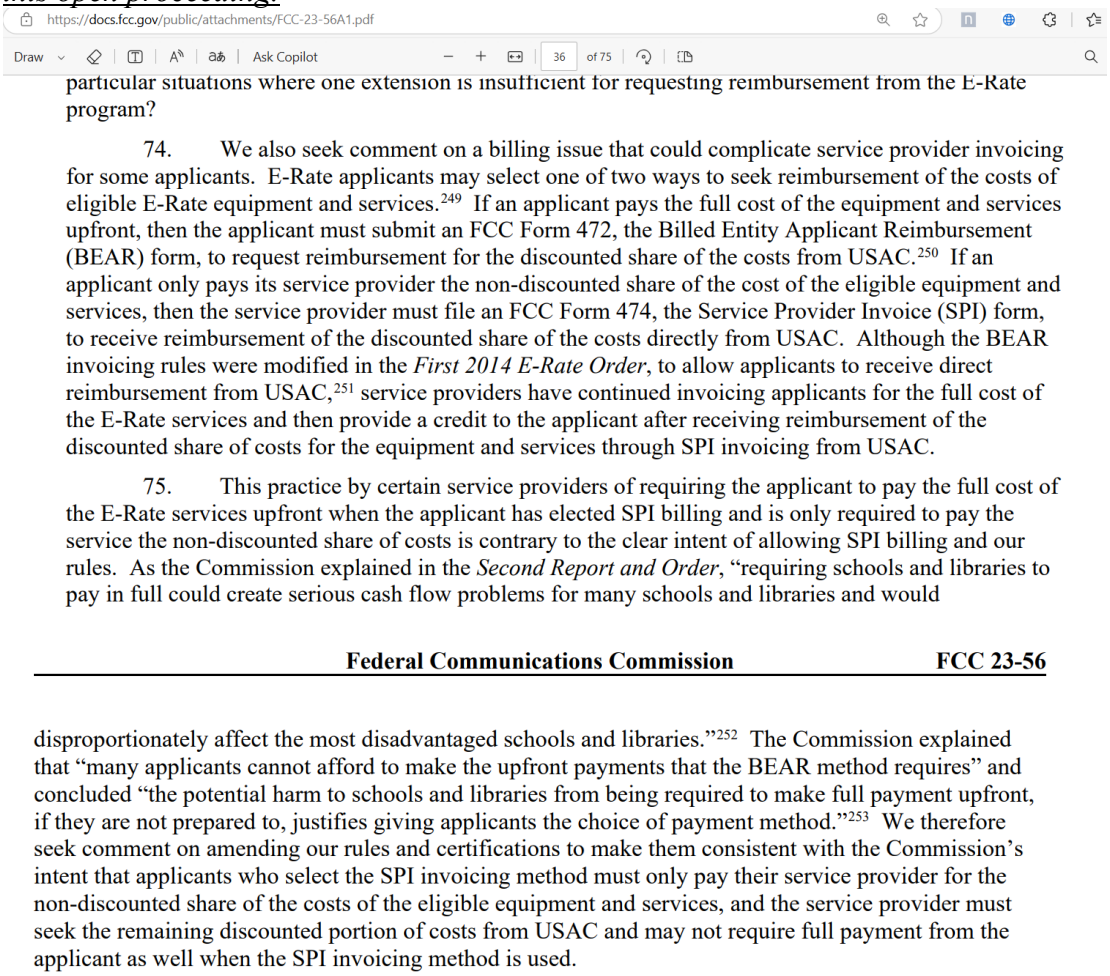
This SPI billing practice is consistent with that of other service providers in the industry. The FCC is aware of this widespread decades-long practice and has not taken action to change its rules to eliminate this flexibility in SPI invoicing (FCC 23-56 FNPRM, at 75). As evidenced by the audit findings effect statement above that "… there is no monetary effect since Cox ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent

[32] 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.
[33] See *Second Report and Order*, FCC 03-101, at para. 47 (citing to the *First Universal Service Order*).

bills," Cox does have controls and procedures in place to apply billing discounts in the form of credits on a timely basis once USAC funding is approved.

Beneficiary Response

Please refer to the STILL OPEN PROCEEDING FCC 23-56 (released July 21, 2023). The FCC's Report and Order and Notice of Proposed Rulemaking specifically states this is common practice and contemplates making rule change to prohibit this. Again, this is still an open proceeding, 2 years later. SDUSD will use this information to supplement the docket/record on this open proceeding.


https://docs.fcc.gov/public/attachments/FCC-23-56A1.pdf

Draw | Ask Copilot | 36 of 75

particular situations where one extension is insufficient for requesting reimbursement from the E-Rate program?

74. We also seek comment on a billing issue that could complicate service provider invoicing for some applicants. E-Rate applicants may select one of two ways to seek reimbursement of the costs of eligible E-Rate equipment and services.[249] If an applicant pays the full cost of the equipment and services upfront, then the applicant must submit an FCC Form 472, the Billed Entity Applicant Reimbursement (BEAR) form, to request reimbursement for the discounted share of the costs from USAC.[250] If an applicant only pays its service provider the non-discounted share of the cost of the eligible equipment and services, then the service provider must file an FCC Form 474, the Service Provider Invoice (SPI) form, to receive reimbursement of the discounted share of the costs directly from USAC. Although the BEAR invoicing rules were modified in the *First 2014 E-Rate Order*, to allow applicants to receive direct reimbursement from USAC,[251] service providers have continued invoicing applicants for the full cost of the E-Rate services and then provide a credit to the applicant after receiving reimbursement of the discounted share of costs for the equipment and services through SPI invoicing from USAC.

75. This practice by certain service providers of requiring the applicant to pay the full cost of the E-Rate services upfront when the applicant has elected SPI billing and is only required to pay the service the non-discounted share of costs is contrary to the clear intent of allowing SPI billing and our rules. As the Commission explained in the *Second Report and Order*, "requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would

Federal Communications Commission **FCC 23-56**

disproportionately affect the most disadvantaged schools and libraries."[252] The Commission explained that "many applicants cannot afford to make the upfront payments that the BEAR method requires" and concluded "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."[253] We therefore seek comment on amending our rules and certifications to make them consistent with the Commission's intent that applicants who select the SPI invoicing method must only pay their service provider for the non-discounted share of the costs of the eligible equipment and services, and the service provider must seek the remaining discounted portion of costs from USAC and may not require full payment from the applicant as well when the SPI invoicing method is used.

Auditors Response

We agree that there is currently not an FCC rule that prohibits the Service Provider's billing method (although such a rule is under consideration). However, because the Service Provider's billing method is inconsistent with the intent of FCC Rules, our position on this other matter and associated recommendations has not changed.

Criteria

Finding	Criteria	Description
1, 2, and 4	Universal Service for Schools and Libraries, Service Provider Annual Certification FCC Form 473, OMB 3060-0856, at Block 2 (SPAC Form)	*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.* *10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.* *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.* *12. I certify that any requests for reimbursement that are sought under a Service Provider Invoice Form (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).* *…* *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/or cancellation of funding commitments. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal*

Finding	Criteria	Description
		service support program could result in civil or criminal prosecution by law enforcement authorities.
1, 2, and 4	Schools and Libraries Universal Service, Service Provider Invoice FCC Form 474, OMB 3060-0856, at Block 3 (SPI Form)	*I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:* *A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.* *B. I certify that the certifications made on the Service Provider Annual Certification Form (FCC Form 473) by this Service Provider are true and correct.* *C. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.*
3	47 C.F.R. § 54.502 (d)(6) (2021)	***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.*
3	*Modernizing the E-Rate Program for Schools and Libraries,* WC Docket No. 13-184,	*The second category of equipment and services eligible for E-Rate support, Category Two, includes the internal connections needed for broadband connectivity within schools and libraries. Support is limited to the internal connections necessary to bring broadband into, and*

Finding	Criteria	Description
	Order, 36 FCC Rcd 17783, DA 21-1602, Appendix B, pgs. 9, 12 (2021) (FY 2022 Eligible Services List)	*provide it throughout, schools and libraries. These are broadband connections used for educational purposes within, between, or among instructional buildings that comprise a school campus (as defined below in the section titled "Eligibility Explanations for Certain Category One and Category Two Services") or library branch, and basic maintenance of these connections, as well as services that manage and operate owned or leased broadband internal connections (e.g., managed internal broadband services or managed Wi-Fi).* *Connections between buildings of a single school – The classification of connections between multiple buildings of a single school is determined by whether the buildings are located on the same campus. A "campus" is defined as the geographically contiguous grounds where the instructional buildings of a single eligible school are located. A single school may have multiple campuses if it has instructional buildings located on grounds that are not geographically contiguous. Different schools located on the same grounds do not comprise a single campus. The portion of the grounds occupied by the instructional buildings for each school is a campus for that school.* *• Connections between buildings on different campuses of a single school are considered to be Category One data transmission services.* *• Connections between different schools with campuses located on the same property (e.g., an elementary school and middle school located on the same property) are considered to be Category One data transmission services, unless they share the same building.* *Connections between buildings of a single school on the same campus are considered to be Category Two internal connections.* *Network equipment with mixed eligibility – On-premises equipment that connects to a Category Two eligible LAN is eligible for Category One support if it is necessary to make a Category One broadband service functional. If the price for components that enable the LAN can be isolated from the price of the components that enable the Category One service, those costs should be cost-allocated out of the Category One funding request.*

Finding	Criteria	Description
3	47 C.F.R. § 54.500 (2021)	***Educational Purposes.*** *For purposes of this subpart, activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate and proximate to the provision of library services to library patrons, qualify as "educational purposes." Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons.* ***Wide area network.*** *For purposes of this subpart, a "wide area network" is a voice or data network that provides connections from one or more computers within an eligible school or library to one or more computers or networks that are external to such eligible school or library. Excluded from this definition is a voice or data network that provides connections between or among instructional buildings of a single school campus or between or among non-administrative buildings of a single library branch.*
3	*Schools and Libraries Universal Service Support Mechanism et al.*, CC Docket No. 02-6, Sixth Report and Order, 25 FCC Rcd 18762, FCC 10-175, paras. 20, 22, 31, n. 98 (2010) (*Sixth Report and Order*)	*The Commission clarified the meaning of "educational purposes" as "activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate, and proximate to the provision of library services to library patrons." As a result, use of services and facilities funded by E-rate for non-educational purposes would not be an eligible use, and schools are required to reduce their funding request by the proportion of the total use of the services and facilities that is ineligible.* *Specifically, we revise sections 54.503 and 54.504 of our rules to require applicants to certify that "[t]he services the applicant purchases at discounts will be used primarily for educational purposes."... Thus, schools must primarily use services funded under the E-rate program, in the first instance, for educational purposes. To primarily use services supported by E-rate, E-rate recipients must ensure that students always get first priority in use of the schools' resources.* *Additionally, we amend section 54.502 to permit discounts for internal connections in non-instructional buildings of a school or school district where the*

Finding	Criteria	Description
		Commission has found that the use of those services meets the definition of educational purpose. *"[S]chools must primarily use services funded under the E-rate program, in the first instance, for educational purposes. To primarily use services supported by E-rate, E-rate recipients must ensure that students always get first priority in use of the schools' resources."* *E-rate supported facilities and services must be primarily used for educational purposes.*
3	*Schools and Libraries Universal Service Support Mechanism et. al.*, CC Docket No. 02-6 et. al., Report and Order and Further Notice of Proposed Rulemaking, 38 FCC Rcd 6842, FCC 23-56, paras. 6, 28-29 (2023) (*2023 Tribal Order)*	*While NIFs are eligible for category one support, category two support is generally not available for NIFs unless the equipment is "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."* *"[E]xpenses associated with cabling that is primarily being used to provide broadband connectivity within schools and libraries need not be cost allocated, provided it is the most cost-effective means of receiving the eligible service."* *Cabling "drops" or "jacks" that are part of a local area network primarily serving an eligible purpose (i.e., distributing broadband throughout a school or library building) are eligible for E-Rate and do not require cost allocation.).*
		..
3	47 C.F.R. § 54.502(a) (2021)	*All supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (d) of this section. The services in this subpart will be supported in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms. The supported services fall within the following general categories:*

Finding	Criteria	Description
		(1) Category one. Telecommunications services, telecommunications, and Internet access, as defined in § 54.5 and described in the Eligible Services List are category one supported services. *(2) Category two. Internal connections, basic maintenance and managed internal broadband services as defined in § 54.500 and described in the Eligible Services List are category two supported services.*
3	47 C.F.R. § 54.504(e)(1) (2021)	*A request for discounts for a product or service that includes both eligible and ineligible components must allocate the cost of the contract to eligible and ineligible components.* *(1) Ineligible components. If a product or service contains ineligible components, costs must be allocated to the extent that a clear delineation can be made between the eligible and ineligible components. The delineation must have a tangible basis, and the price for the eligible portion must be the most cost-effective means of receiving the eligible service.*
4	47 C.F.R. §54.507(d)(4) (2021)	*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*

Finding	Criteria	Description
		delayed while the Administrator investigates the application for program compliance.
4	FCC Form 486, Schools and Libraries Universal Service Receipt of Service Confirmation and Children's Internet Protection Act Certification Form	*requiring applicants to notify USAC that equipment/services have been received/started*

Other Matter	Criteria	Description
1	*Modernizing the E-rate Program for Schools and Libraries,* WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, FCC 14-99, para. 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	*First 2014 E-Rate Order,* 29 FCC Rcd 8870, FCC 14-99, para. 235, n.567	*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.*
1	*Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, FCC 97-157, at para. 586 (1997) (*First Universal Service Order*)	*[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.*

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 , 18 FCC Rcd 9202, FCC 03-101, paras. 44, 46-47 (2003) (*Second Report and Order*)	*"We first conclude that we should adopt a rule requiring service providers to give applicants the choice each funding year either to pay the discounted price or to pay the full price and then receive reimbursement through the BEAR process. . . . .We find that providing applicants with the right to choose [their] payment method is consistent with section 254. Although section 254(h)(1)(B) requires that telecommunications carriers providing discounted service be permitted to choose the method by which they receive reimbursement for the discounts that they provide to schools and libraries, i.e., between receiving either a reimbursement for the discount or an off-set against their obligations to contribute to the universal service fund, the statute does not require that they be permitted to choose the method by which they provide those discounts to the school or library in the first place.* *In addition, we find that providing applicants with the right to choose which payment method to use will help to ensure that all schools and libraries have affordable access to telecommunications and Internet access services. The Commission previously noted in the Universal Service Order that "requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries"..... In light of the record before us, we conclude that the potential harm to schools and libraries from being required to make full payment upfront, if they are not prepared to, justifies giving applicants the choice of payment method.*

Sikich CPA LLC

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

Appendix A: Vector's Corrective Actions Related to Invoice Submission

To rectify these findings VectorUSA has begun the process of crediting USAC with the overcharges – this is evidenced by the invoice #101954 (USAC SPI202525342) for Clairemont High School & invoice#103507 (USAC SPI202535586) for Riley New Dawn High School which includes credits that have been offset by eligible labor.

Each school site with identified overcharges will be billed in the same manner and all credits shall satisfy repayment of overcharges. Please refer to the table below, which reflects the reimbursement amount including the applicable tax rate that was omitted in the audit report. This table also incorporates for the observations addressed in Vector's responses above.

SITE	USAC Audit Findings	Total
CANYON HILLS HS	Finding#1 - UNIT PRICE OVERAGE	$52,757
	Sales Tax	$4,067
CANYON HILLS HS Total		$56,823
CHALLENGER MS	Finding#1 - UNIT PRICE OVERAGE	$56,030
	Finding#4 - QTY DISCREPANCY	$943
	Sales Tax	$4,404
CHALLENGER MS Total		$61,377
CLAIREMONT HS	Finding#1 - UNIT PRICE OVERAGE	$54,161
	Sales Tax	$4,175
CLAIREMONT HS Total		$58,336
HENRY HS	Finding#1 - UNIT PRICE OVERAGE	$51,907
	Sales Tax	$4,001
HENRY HS Total		$55,908
JOHN MUIR_ACADEMY	Finding#1 - UNIT PRICE OVERAGE	$42,864
	Sales Tax	$3,300
JOHN MUIR_ACADEMY Total		$46,164
LEWIS_MS	Finding #1- SUPER XL MODULE	$10,976
	Finding#1 - UNIT PRICE OVERAGE	$50,575
	Sales Tax	$4,748
LEWIS_MS Total		$66,300
MARSTON_MS	Finding #1- SUPER XL MODULE	$10,976
	Finding#1 - UNIT PRICE OVERAGE	$29,857
	Sales Tax	$3,142
MARSTON_MS Total		$43,976
RILEY/ NEW DAWN	Finding #1- SUPER XL MODULE	$10,976
	Finding#1 - UNIT PRICE OVERAGE	$43,068
	Finding#4 - QTY DISCREPANCY	$2,639
	Sales Tax	$4,371
RILEY/ NEW DAWN Total		$61,053
UNIVERSITY CITY HS	Finding#1 - UNIT PRICE OVERAGE	$54,808
	Sales Tax	$4,226
UNIVERSITY CITY HS Total		$59,034
Grand Total		$508,972
	Total E-Rate Funding 80% Reimbursement	$407,178

Appendix B: Exhibits Provided with Vector's Response to Finding No. 3

EXHIBIT 1 – Evidence Relating to Audit Finding No. 3
Clairemont High School
Boundaries of School Property
Physical Address: ***4150 Ute Dr, San Diego, CA 92117***



Patrick Henry High School
Boundaries of School Property
Physical Address: ***6702 Wandermere Dr, San Diego, CA 92120***



University City High School

Boundaries of School PropertyPhysical Address: ***6949 Genesee Ave, San Diego, CA 92122***



EXHIBIT 2 – Evidence Relating to Audit Finding No. 3
Clairemont High School
Statement from ***Associate Principal Reuben Hoffman*** *regarding Educational Purposes*

Instructional Time: Teachers utilize WiFi signals in the stadium, gymnasium and outdoor areas for the following activities, not limited to:

- *Physical Education*
  - *Attendance - to record in PowerSchool (required by District policy and contract)*
  - *5-Star Students - to release students from class with a digital pass (required for safe campus operations)*
  - *Heart-rate monitors - tracking health metrics on student Chromebooks.*
  - *Google Classroom - tracking health metrics on student Chromebooks and health related assignments*
- *Science:*
  - *Physics Labs utilize the stadium and gymnasium to conduct large-scale motion experiments and record results of their experiments on their Chromebooks.*
- *CCTE:*
  - *Engineering. Robotics and engineering courses will utilize the gymnasium to complete coursework and non-destructive activities on materials.*
  - *IT sections will use the stadium for drone and game design projects*
- *Spirit Days / Pep Rally / ASB Events:*
- *After School*
  - *Students that work on assignments before practice or as they are watching sports activities*

Extra-Curricular:

- *Athletics:*
  - *Coaches use Wi-Fi to replay video events recorded from either NFHS or HUDL systems.*
- *Unified Sports*
  - *Clairemont HS hosts nationally-recognized, District-wide events in our gymnasium and stadium. At these events, Wi-Fi is leveraged for tracking attendees, registration of participants and other event tracking using various websites. Wi-Fi is essential for event hosts to arrange and propagate events in a timely manner, and communicate with event partners in real-time.*
- *Special Olympics*
  - *Clairemont HS hosts District-wide events in our gymnasium and stadium. At these events, Wi-Fi is leveraged for tracking attendees, registration of participants and other event tracking using various websites.*

Patrick Henry High School
*Statement **from Principal Sandra White, Ed.D**. regarding Educational Purposes*

Attached is the school bell schedule as well as the PE and ROTC schedule. Due to having multiple classes in one period, space is a challenge. Therefore, our PE and ROTC classes use the space (football field and amphitheater) as a classroom. They have students using their Chromebooks to do activities. Our ROTC class also uses the space for instruction. Teachers use PowerSchool (student information system) to take attendance and look up student information. When students are asked to research, the Wi-Fi is needed to access Chrome as well as to use YouTube videos for instruction. I hope this helps and can substantiate the need for Wi-Fi in those areas.

PATRICK HENRY HIGH SCHOOL
BELL SCHEDULES
2025-2026

DAILY SCHEDULE (Non-Monday)
(Tuesday – Friday)

Period 1	8:45 – 9:42 (57 mins)
Period 2	9:48 – 10:45 (57 mins)
Period 3	10:51 – 11:48 (57 mins)
Period 4	11:54 – 12:51 (57 mins)
LUNCH	12:57 – 1:27 (30 mins)
Period 5	1:33 – 2:30 (57 mins)
Period 6	2:36 – 3:33 (57 mins)

MINIMUM DAYS – Final Exams
(12/17, 12/18, 12/19, and 5/26, 5/27, 5/28)

12/17 and 5/26	
Period 1	8:45 – 10:45
Period 2	11:11 – 1:11
12/18 and 5/27	
Period 3	8:45 – 10:45
Period 4	11:11 – 1:11
12/19 and 5/28	
Period 5	8:45 – 10:45
Period 6	11:11 – 1:11

MONDAY SCHEDULE (Broadcast News)

Period 1	9:20 – 10:10 (50 mins)
Period 2	10:16 – 11:06 (50 mins)
Period 3	11:12 – 12:02 (50 mins)
Period 4	12:08 – 12:58 (50 mins)
LUNCH	1:04 – 1:34 (30 mins)
Period 5	1:40 – 2:39** (59 mins)
Period 6	2:45 – 3:35 (50 mins)

** Extra time for Broadcast News **

PEP RALLY SCHEDULE
(10/24, 1/30 & 4/24)

Period 1	8:45 – 9:32 (47 mins)
Period 2	9:38 – 10:25 (47 mins)
Period 3	10:31 – 11:18 (47 mins)
Rally	11:25 – 12:17 (52 mins)
Period 4	12:24 – 1:11 (47 mins)
Lunch	1:17 – 1:47 (30 mins)
Period 5	1:53 – 2:40 (47 mins)
Period 6	2:46 – 3:33 (47 mins)

MONDAY SCHEDULE – w/o PHHS Broadcast News
(8/11, 8/18 and 8/25 Only)

Period 1	9:20 – 10:11 (51 mins)
Period 2	10:17 – 11:08 (51 mins)
Period 3	11:14 – 12:05 (51 mins)
Period 4	12:11 – 1:02 (51 mins)
LUNCH	1:08 – 1:41 (33 mins)
Period 5	1:47 – 2:38 (51 mins)
Period 6	2:44 – 3:35 (51 mins)

2025-2026 Student Schedule

Teacher	Room	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7
Allen, Christa Dee (Phys Ed)	GYM	Exer Sci	Exer Sci	**PREP**	Exer Sci	Exer Sci	Exer Sci	
Clark, Terri Lynn (109826: Phys Ed)	PE	**PREP**	PHYS ED 1	PE DANCE 11TH-12TH 1	PHYS ED 1	PHYS ED 1	PHYS ED 1	
Collins, Shannon Rose (125137: Phys Ed)	PE	**PREP**	PHYS ED 1	PHYS ED 1	PHYS ED 1	PHYS ED 1	PHYS ED-INT ATH	
Davies, Colby S (182168: Phys Ed)	PE	PHYS ED 3	PHYS ED 3	**PREP**		PHYS ED 3	PHYS ED-INT ATH	
Watkins, Sheldon B (135659: Phys Ed)		PHYS ED 3 5701.4 44/50 Room GYM 1(A) Term: S1	PHYS ED 3 5701.5 38/50 Room GYM 2(A) Term: S1	PHYS ED 3 5701.6 45/50 Room GYM 3(A) Term: S1	PHYS ED 3 5701.7 50/50 Room GYM 4(A) Term: S1	**PREP**	PHYS ED-INT ATH 5712_C.9 5/125 Room GYM 6(A) Term: S1	
Behlman, Brigitte E (ROTC)	504	NJROTC CORE 1	NJROTC CORE 1	NJROTC CORE 1	**PREP**	NJROTC CORE 1	NJROTC CORE 1	
Wever, Eric Christopher (180465: Mil Sci)		NJROTC CORE 1 4521.1 1/15 Room 504 1(A) Term: S1	NJROTC CORE 1 4521.2 8/36 Room 504 2(A) Term: S1	NJROTC CORE 1 4521.3 6/36 Room 504 3(A) Term: S1	**PREP**	NJROTC CORE 1 4521.4 5/36 Room 504 5(A) Term: S1	NJROTC CORE 1 4521.5 36/36 Room 504 6(A) Term: S1	

University City High School
*Statement from **Principal Michael Paredes** regarding Educational Purposes*

"The stadium is the PE teacher's classroom."
Here's what I got back from our PE Department:

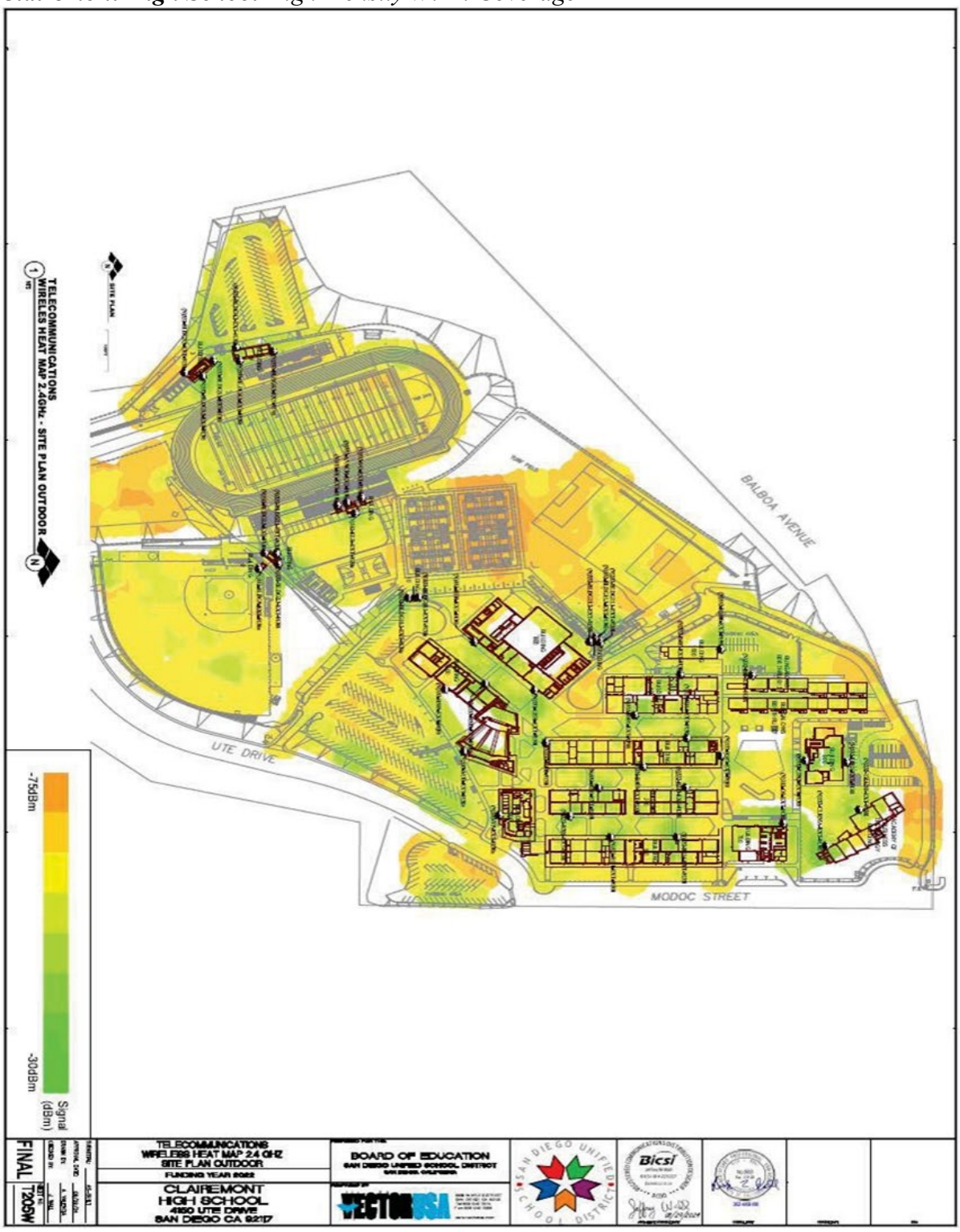
Hello Everyone,

For Physical education classes, we use the Wi-Fi /Apps for different assignments/lessons in class throughout the year.

For example:
1. Students bring device to class and participate in skill specific video analysis for skills assessment. Then use the video in a peer/self assessment.
2. Students create how to videos on skills. For example how to throw a Frisbee, in small groups students edit and create a "how to" video using various apps
3. Students use an app called EZ-Scan weekly to scan cardiovascular workouts. Workouts are tracked on this app and can be analyzed after the workouts
4. Teachers use timer apps in class to transition students from activity to activity Please let us know if you need more details or more information
Thank you PE Team

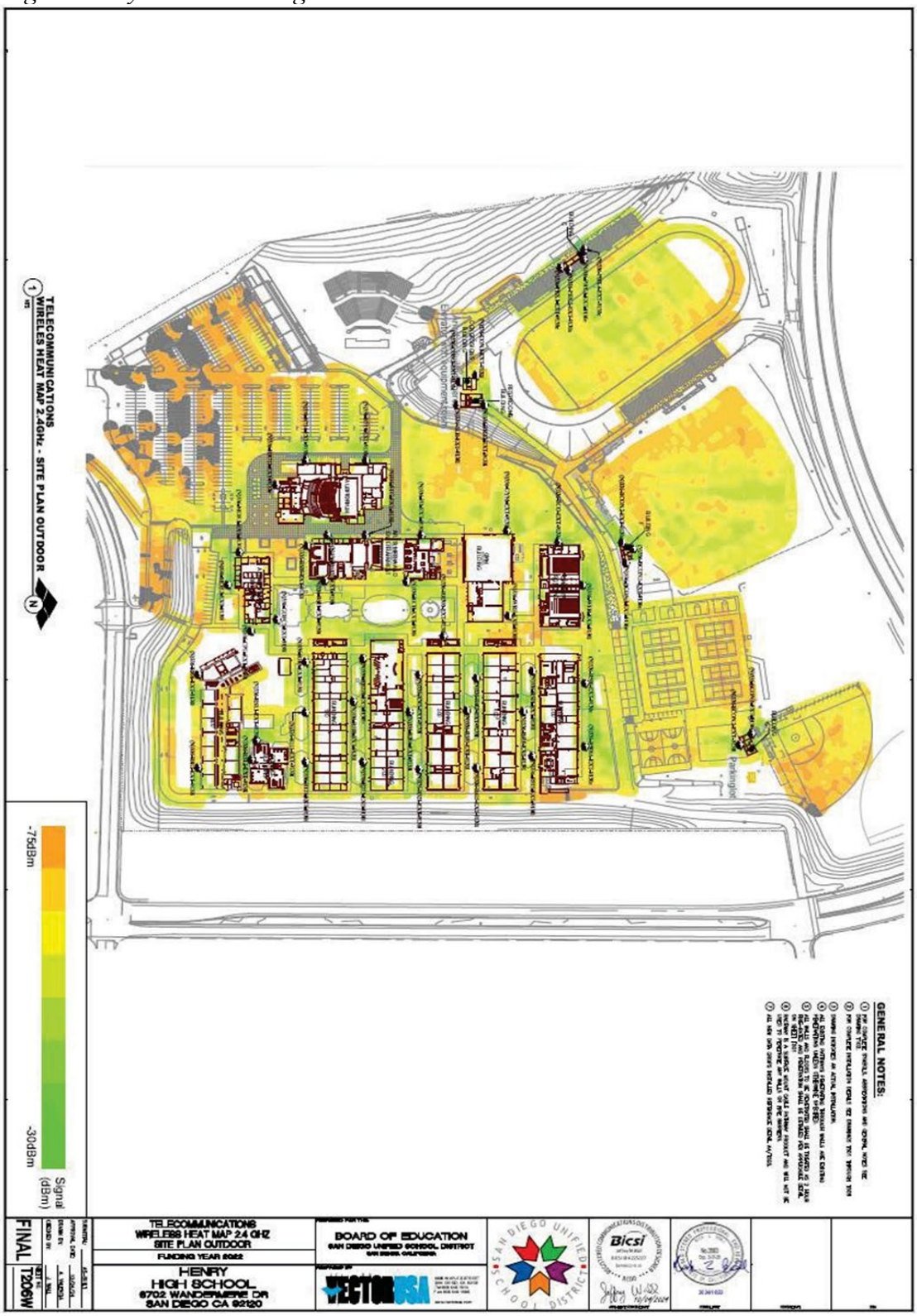
EXHIBIT 3 – Evidence Relating to Audit Finding No. 3

Clairemont High School *High-Density Wi-Fi Coverage*



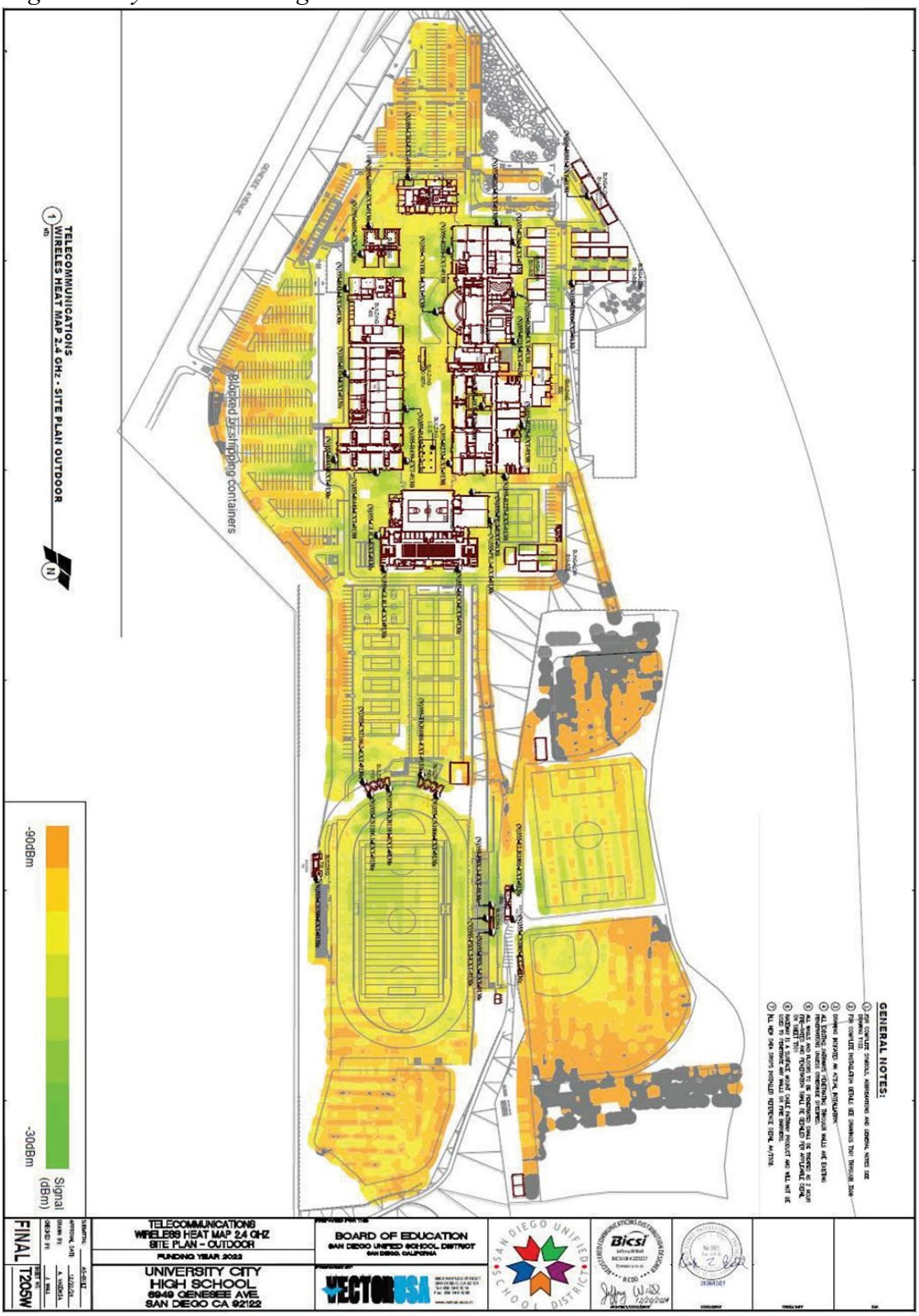
Patrick Henry High School

High-Density Wi-Fi Coverage



University City High School

High-Density Wi-Fi Coverage



Attachment F

SL2024LR001

Democracy Prep Public Schools

Limited Review Performance Audit on Compliance with the Federal School and Libraries Universal Service Support Mechanism (E-Rate) Rules

USAC Audit No. SL2024LR001

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1
AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION 3
USAC MANAGEMENT RESPONSE 4
PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES 5
DETAILED AUDIT FINDINGS AND OTHER MATTERS 7

Finding #1: 47 C.F.R. § 54.511(a) (2021) - Inadequate Competitive Bidding Evaluation – Disqualification and Price Criteria 7

Finding #2: 47 C.F.R. § 54.507(d)(4) (2021) - E-Rate Funded Equipment Not Installed by Required Deadline 11

Finding #3: 47 C.F.R. § 54.504(a)(1)(iii)(2021) – E-Rate Funded Equipment Installed at an Unapproved Location 13

Finding #4: 47 C.F.R. § 54.504(a) (2021), FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2; FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 - Service Provider Invoiced E-Rate Program for Costs that Exceeded Amounts Requested and Approved on FCC Form 471 15

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 17

CRITERIA 20

EXECUTIVE SUMMARY

November 14, 2025

Tameka Royal, Chief Executive Officer
Democracy Prep Public Schools
1767 Park Avenue, 5th Floor
New York, NY 10035

Dear Ms. Royal:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Democracy Prep Public Schools (the Beneficiary), Billed Entity Number (BEN) 16072044, using regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the E-Rate program), as set forth in 47 C.F.R., Part 54, as well as orders and other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

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

Based on the test work performed, our examination disclosed four detailed audit findings (Findings) 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 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
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
Kathy Templeton, Billing Expert Specialist, Zayo Group

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect	Recovery A	Overlapping Recovery[1] B	Recommended Recovery C=A-B	Downward Adjustment
Finding #1: 47 C.F.R. § 54.511(a) (2021) – Inadequate Competitive Bidding Evaluation – Disqualification and Price Criteria. The Beneficiary (1) did not use the proper price criteria (i.e., used an incorrect price for the bid evaluation, and did not assign the highest price score to the lowest price offering), and (2) did not disclose disqualification criteria; thus, the Beneficiary did not conduct its competitive bidding process in compliance with the FCC Rules.	$248,670	$193,410	$0	$193,410	$193,410
Finding #2: 47 C.F.R. § 54.507(d)(4) (2021) – E-Rate Funded Equipment Not Installed by Required Deadline. The Beneficiary requested and was approved for equipment that either was not received by the service delivery deadline or was received but not installed by the service delivery deadline, and a delivery extension was not requested.	$104,543	$0	$0	$0	$0[2]
Finding #3: 47 C.F.R. § 54.504(a)(1)(iii) (2021) – E-Rate Funded Equipment Installed at an Unapproved Location. The Beneficiary requested and was approved for equipment installed in an unapproved location not listed on the FCC Form 471 nor within the school district.	$1,447	$0	$0	$0	$0[3]
Finding #4: 47 C.F.R. § 54.504(a) (2021)- Service Provider Invoiced E-Rate Program for Charges Exceeding the Approved Rates on the FCC Form 471 and Contract. The Service Provider invoiced the E-Rate program for monthly recurring service charges that exceeded the service rates specified in the contract and the FCC Form 471.	$15,120	$15,120	$15,120	$0	$0
Other Matter: *First 2014 E-Rate Order*, FCC 14-99, para. 235 – Service Provider Billed	$0	$0	$0	$0	$0

[1] If a finding is subsequently waived via appeal, any overlapping recovery and associated commitment downward adjustment with that finding will be recovered and adjusted with the remaining findings.
[2] AAD does not recommend a downward commitment adjustment as AAD confirmed the USAC Finance systems automatically decommitted the funds not invoiced by May 28, 2025, the final invoicing deadline.
[3] *Id*.

the Beneficiaries for the Discounted Share of Costs 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.					
Total Net Monetary Effect	**$369,780**	**$208,530**	**$15,120**	**$193,410**	**$193,410**

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 deficiencies identified below in the audit report. See the chart below for USAC Management's recovery action by FRN.

Finding or Other Matter	FRN 2299032154	FRN 2299056837	FRN 2299032154	FRN 2299056837	Rationale for Difference (if any) from Auditor Recommended Commitment Adjustment and/or Recovery
	USAC Recovery Action	USAC Recovery Action	USAC Commitment Adjustment	USAC Commitment Adjustment	
Finding #1	$193,410	$0	$193,410	$0	n/a
Finding #2	$0	$0	$0	$0	n/a
Finding #3	$0	$0	$0	$0	n/a
Finding #4[4]	$0	$0	$0	$0	n/a
Other Matter	$0	$0	$0	$0	n/a
Total	**$193,410**	**$0**	$193,410	$0	

[4] The monetary effect of Finding 4 overlaps with Finding 1. USAC Management may seek recovery and adjustment of the commitment of $14,280 to the extent that funds are not already recovered as a result of other findings included in this audit report.

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2022 (audit period):

Service Type	FRN	Amount Committed	Amount Disbursed
Internal Connections	2299056837	$286,987	$0
Internet Access	2299032154	$248,670	$193,410
	Total	**$535,657**	**$193,410**

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

The committed total represents two FCC Form 471 applications, *Description of Services Ordered and Certification Form*, with two Funding Request Numbers (FRNs).[5] AAD selected both FRNs, which represent $535,657 of the funds committed and $193,410 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2022 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a school district located in New York, New York that serves over 3,000 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

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

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

[5] The FRNs included in the scope of this audit are: 2299056837 and 2299032154.

B. Competitive Bidding Process

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 a contract or agreement 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 Visit

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

E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, 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 FINDINGS AND OTHER MATTERS

Finding #1: 47 C.F.R. § 54.511(a) (2021) - Inadequate Competitive Bidding Evaluation – Disqualification and Price Criteria

CONDITION

AAD obtained and examined documentation, including the service providers' bids in response to the services requested by the Beneficiary in its FCC Form 470[6] and the Beneficiary's bid evaluation matrices, to determine whether the Beneficiary (1) conducted a fair and open competitive bidding process in compliance with the FCC Rules, (2) selected the most cost effective offering using the price of the eligible goods and services as the primary factor, and (3) the Beneficiary's request for services included sufficient information to enable bidders to reasonably determine the Beneficiary's needs for internal connections for FRN 2299032154. AAD determined, through examination of the Beneficiary's documentation and inquiries made, that the Beneficiary did not demonstrate that it conducted an adequate competitive bidding evaluation and failed to select the most cost-effective service provider based on price as the primary factor.

The Beneficiary provided two versions of its bid evaluation matrices to AAD, documenting that it received seven bids in response to its Request for Proposal (RFP). Based on a review of the Beneficiary's bid matrices, AAD determined that the Beneficiary's selection criteria included (1) price, (2) an understanding of needs, (3) prior experience, (4) personnel qualifications, and (5) financial stability. The Beneficiary scored the bids as follows:

Beneficiary's Bid Evaluation

Selection Criteria	Weight Assigned	Knight Nets	RCN	Zayo	Cytranet	Stealth	Spectrum	Lightpath / Altice
Price	30%	6%	12%	30%	12%	0%	18%	24%
Understanding of Needs	25%	20%	15%	15%	15%	0%	15%	15%
Prior Experience	15%	15%	3%	3%	3%	0%	3%	3%
Personnel Qualifications	15%	12%	12%	12%	12%	0%	12%	12%
Financial Stability	15%	12%	12%	12%	12%	0%	12%	12%
Total		65%	54%	72%	54%	0%	60%	66%
Monthly Recurring Cost (MRC) per site for 500 mb noted on Beneficiary's Bid Evaluation		$2,495	$2,600[7]	$197	$1,368	$675[8]	$999	$1,500

[6] FCC Form 470 Application Number: 210001160, submitted February 2, 2021.

[7] RCN was not selected as it scored low in the price category (12/30), prior experience (3/15), personnel qualifications (12/15), financial stability (12/15), and understanding of needs (15/25).

[8] Stealth Communications was not selected, as they did not offer service at the school 159 Williamsburg location. Therefore, the bid was disqualified.

The Beneficiary did not assign the highest weight to the bid for Internet Access and Data Transmission services (Leased Lit Fiber or non-Fiber, bundled or separate) with a minimum capacity of 500 Mbps and a maximum capacity of 25 Gbps, which caused it to award the contract to the Service Provider (Zayo), as detailed below.

- ***Price Criteria: The Lowest Price Did Not Obtain the Highest Price Score***
  - The Beneficiary provided two versions of the bid evaluation for category 1 services to AAD. As noted in the bid evaluation, the Beneficiary considered the price of 500 Mbps service as the primary factor in its bid matrices. However, the price used to assess the selected Service Provider, Zayo, was inaccurate as the amount did not agree with the Service Provider's bid documentation (i.e., the amount recorded in the Beneficiary's bid matrices was $197, $1,776 less than the price found on the Service Provider's bid proposal was $1,973). Therefore, the Beneficiary incorrectly gave the highest price score to the Service Provider that did not actually offer the lowest price.

  - The Beneficiary requested a range of services, including internet service between 500 Mbps and 25 Gbps, and data transmission per the RFP. Some of the bidders' bid responses provided pricing offers for various combinations of services; some bid for just one or two data services. The comparison presented by the Beneficiary is not appropriate, as the Beneficiary only considered the cost of Internet service from the winning bidder (Zayo), instead of including both data transmission and Internet service costs, which the Beneficiary was seeking to compare with the combined cost of data transmission and Internet service presented by other vendors—especially those offering bundled services. Zayo's cost of $71,010 for 36 months of service was the third most expensive bid received, yet the bid received the highest score for the price criterion, with other service providers being cheaper. Furthermore, the price of the winning bidder (Zayo) included just one component (Internet service) while other bidders' price offers included prices with internet service and data transmission bundled together, showing that the price of the bundles was higher than the price of Internet service by itself. Thus, although it seems that the selected Service Provider offered the lowest price, the comparison was not made on the same service and components. Had the Beneficiary used a consistent methodology in completing its bid evaluation, Spectrum and Lightpath/Altice would have been identified to offer a lower price than the winning bidder, and therefore assigned a higher price score and overall scores. Thus, the Beneficiary incorrectly gave the highest price score to the Service Provider that did not offer the lowest price.

- ***Disqualification Criteria***[9]
  The Beneficiary did not specify disqualification factors or any evaluation criteria on FCC Form 470 and the associated RFP. In the Beneficiary's bid evaluation, the Service Provider RCN was disqualified for not offering a 500 Mbps service, while Zayo, the Beneficiary's selected Service Provider, was qualified even though it also did not propose 500 Mbps, demonstrating an inconsistent application of the

[9] *Requests for Review of a Decision of the Universal Service Administrator by Baltimore City School District, Baltimore, Maryland,* CC Docket No. 02-6, DA 11-1368, para. 12 (2011) ("We expect that applicants …would provide notice-in either its FCC Form 470 or its RFP- to all potential bidders as to …which criteria will be used as disqualification criteria, and the circumstances under which bidders will be disqualified from further consideration.").

disqualification factor. Had the Beneficiary used a consistent methodology in completing its bid evaluation, Zayo would have also been disqualified.[10]

The Beneficiary informed AAD that it selected 10 Gbps Data Transmission and 25 Gbps Internet service due to the complexities of the network topology; the original bandwidth of 500 Mbps that the Beneficiary requested in its FCC Form 470 was insufficient to support the solution, needing adjustments.[11] However, these adjustments were not consistently applied across all bidders, preventing a fair, like-kind services comparison. The Beneficiary needed to either modify the existing FCC Form 470 or deem the adjustment to be a cardinal change, in which the Beneficiary would need to restart the 28-day waiting period.[12]

Because the Beneficiary (1) did not use the proper price criteria (i.e., used an incorrect price for the bid evaluation, and did not assign the highest price score to the lowest price offering), and (2) did not disclose disqualification criteria, AAD concludes that the Beneficiary did not conduct its competitive bidding process in compliance with the FCC Rules.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge or have internal processes in place to ensure that it correctly followed the FCC Rules when evaluating bids. Additionally, the Beneficiary did not thoroughly review the FCC Rules, including the relevant sections that provide clarification on competitive bidding requirements and the selection of the most cost-effective service offering.[13]

EFFECT

The monetary effect of this finding is $248,670. The amount represents the total amount committed by the E-Rate program for FRN 2299032154, of which $193,410 was disbursed.

FRN	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment[14]
2299032154	$248,670	$193,410	$193,410

RECOMMENDATION

AAD recommends that USAC Management seek recovery and issue a downward commitment adjustment of the amounts identified above.

The Beneficiary must develop and implement policies and procedures designed to ensure that it appropriately evaluates bids in accordance with FCC Rules. The Beneficiary can familiarize itself with the FCC

[10] *Requests for Review of Decisions of the Universal Service Administrator by Central Islip Free Union School District, Colorado City, Arizona*, CC Docket No. 02-6, Order, DA 11-1087, paras. 17-19 (2011).
[11] *See* Beneficiary's response to audit inquiry #17, received on November 1, 2024.
[12] https://www.usac.org/e-rate/applicant-process/competitive-bidding/ministerial-clerical-errors/
[13] *See* Beneficiary's response to Summary of Audit Exceptions, received on December 20, 2024.
[14] AAD recommends a downward commitment adjustment of $193,410 as the excess of $55,260 committed amount but not disbursed by USAC ($248,670 less $193,410) as the USAC Finance systems automatically decommitted the funds not invoiced by May 28, 2025, the invoice filing deadline date.

Rules related to competitive bidding at https://www.usac.org/e-rate/applicant-process/competitive-bidding/ and ensure that it properly evaluates bids in accordance with the FCC Rules for selecting service providers in the competitive bidding process.[15] 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 conducted a fair and open competitive bidding process in full accordance with the E-Rate Program requirements. All bids were evaluated using the stated evaluation criteria, with price of eligible services as the primary factor. Based on this evaluation, the Beneficiary selected the most cost-effective solution capable of supporting both existing needs and the significant operational challenges presented during the COVID-19 pandemic. Zayo's proposed pricing structure for the required infrastructure enhancements was included in its submitted proposal and rendered it the most cost-effective option under the circumstances.

The COVID-19 pandemic caused extraordinary and unprecedented disruptions to educational operations nationwide. In New York, beginning March 16, 2020, schools were directed to close for an initial two-week period to develop plans for alternative instructional delivery. Through successive executive orders, schools were required to remain closed through the end of the 2019–2020 school year and to continue implementing remote and hybrid instructional options throughout the 2020–2021 school year. These directives resulted in significant, immediate, and unavoidable shifts in bandwidth needs, network resilience, and connectivity capacity—particularly in underserved and disproportionately impacted communities such as Harlem and the Bronx.

On January 10, 2025, the Beneficiary submitted a waiver request to the Federal Communications Commission seeking relief from the competitive bidding requirements due to the substantial and disproportionate impact of the pandemic on the Beneficiary's operational capacity, as well as the urgent connectivity demands placed on its network. A copy of this waiver request (FCC Confirmation # 2025011059966947) is attached for reference. This waiver is for Form 471 231006001 which connects to the Form 470 for FRN 2299032154. Given the pending nature of this request, we respectfully request that the audit determination be deferred until the FCC issues a ruling on the Beneficiary's waiver petition.

The Beneficiary maintains that all actions taken during the pandemic were conducted in good faith, based on the Beneficiary's understanding of the requirements and the guidance available at the time. There was no intent to violate program rules, nor any evidence of waste, fraud, or abuse. Instead, the Beneficiary acted to ensure continuity of learning, maintain critical educational services, and fulfill its obligations to students during an unprecedented public health emergency.

AAD RESPONSE

AAD understands the disruption caused by the COVID-19 pandemic to educational operations nationwide, resulting in the FCC issuing a final rule to support schools to meet unanticipated and increased demand for

[15] See https://www.usac.org/e-rate/applicant-process/selecting-service-providers/

on-campus connectivity resulting from the COVID-19 pandemic.[16] AAD also acknowledges that the Beneficiary submitted a waiver request to the FCC to seek relief from the competitive bidding requirements. However, AAD maintains its recommendation of a recommended recovery and commitment adjustment given the following reasons:

- AAD's finding identified that the Beneficiary failed to follow the competitive bidding rules by not selecting the most cost-effective service provider based on price as the primary factor and having a lack of defined criteria to disqualify certain service provider bids as stated in the Condition section. AAD clarifies that the FCC order referenced in the Beneficiary's response allowed applicants to request E-Rate discounts for their bandwidth increases without conducting additional competitive bidding (subject to certain limitations), but it does not exempt them from following the competitive rules properly to select the appropriate service provider.[17]
- In its response, the Beneficiary referenced a waiver (FCC confirmation # 2025011059966947) that it filed with the FCC for its Funding Year 2023 application (FCC Form 471 number 231006001 for FRN 2399006061). However, the scope of this audit is the Funding Year 2022 application (FCC Form 471 number 221023615 for FRN 2299032154), different than the funding year referenced in the Beneficiary's waiver request.
- In its response, the Beneficiary references New York executive orders directing schools to follow remote and hybrid instructional options and experienced increased bandwidth needs and connectivity capacities for school years 2020 and 2021. However, the E-Rate funds for this audit are for Funding Year 2022, which is after the school years the Beneficiary identified as impacted by New York's response to the COVID-19 pandemic, and subject to the FCC Rules and E-Rate program requirements.
- The Beneficiary asserts that Zayo was the most cost-effective service provider during its competitive bidding process that met its existing needs and addressed the significant operational challenges. As noted in the Condition section, the Beneficiary requested a range of services, including internet service between 500 Mbps and 25 Gbps, and data transmission per the RFP. Zayo included just one component of the Beneficiary's requested services (Internet service) while other bidders' price offers included prices with internet service and data transmission bundled together. The Beneficiary scored Zayo based on its price for one component, while it scored the other Service Providers based on their bundled price, showing an unequal comparison performed by the Beneficiary between the Service Providers.

Thus, AAD's position regarding this finding remains unchanged.

Finding #2: 47 C.F.R. § 54.507(d)(4) (2021) - E-Rate Funded Equipment Not Installed by Required Deadline

CONDITION

AAD obtained and examined documentation, including the Beneficiary's FCC Form 471, the Fixed Assets Listing (FAL), and the corresponding service provider's bills to select equipment for a physical site visit and determine whether the Beneficiary installed the requested internal connection equipment (i.e., nonrecurring

[16] See *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, FCC Order, DA-20-1091, paras. 17-21. (WCB 2020).
[17] *Id*, para. 6.

services) for FRN 2299056837. AAD observed that 18 pieces of equipment were not received by the service delivery deadline, and 20 pieces of equipment were not in use or installed at the time of our audit. The Beneficiary requested and was approved for equipment that either was not received by the service delivery deadline or was received but not installed by the service delivery deadline, as detailed below.

The Beneficiary service delivery deadline was originally set at September 30, 2023. The Beneficary requested and was approved for a service deliverly extension with an updated deadline of September 30, 2024 and an invoice due date of January 28, 2025, to receive and install the requested items. An additional invoice deadline extension was requested and approved to May 28, 2025. Per the service provider's bills to the Beneficiary and review of the Beneficiary's FAL, AAD identified that some requested items were not received by the updated deadline (Table 1) or were not used (Table 2). In addition, the Beneficiary did not request an additional service delivery deadline extension.

Equipment Not Received

Table 1: Items not received by the service delivery deadline.

Item Type	Model	QTY	Pre-Discounted Cost
Switches	LIC-MX250-SEC-3YR	3	$10,617
Switches	LIC-MX450-SEC-3YR	3	$21,234
Switches	MA-QSFP-40G-LR4	2	$8,267
Switches	MA-QSFP-40G-SR4	2	$2,498
Switches	MA-QSFP-40G-SR-BD	2	$831
Switches	MX250-HW	3	$12,623
Switches	MX450-HW	3	$25,251
	Total	**18**	**$81,321**

Equipment Received but Not In Use or Installed

Table 2: Received Items but not Installed or In Use

Item Type	Model	QTY	Pre-Discounted Cost	Reason for Ineligibility
Transceiver	10GBASE-LR	16	$29,897	Not installed or in use
Power Adapter	MA-PWR-1025WAC	1	$847	Not installed or in use
Power Cable	MA-PWR-CORD-US	1	$11	Not installed or in use
Switch	MS250-48FP	2	$10,916	Not installed or in use
	Total	**20**	**$41,671**	

Although the Beneficiary had not invoiced the E-Rate program as of the audit's fieldwork completion date,[18] AAD concludes that the Beneficiary received a commitment for an amount equal to the discounted amount of

[18] The Fieldwork Completion Date was December 19, 2024.

the items not received or used/installed as listed on Tables 1 and 2 above.[19] The E-Rate program over-committed amount is $104,543 (($81,321 + $41,671) multiplied by the Beneficiary's 85 percent discount rate) for FRN 2299056837.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules establishing the submission of funding requests on FCC Form 471. In addition, the Beneficiary did not have adequate controls and procedures in place to ensure that funding is requested only for its reasonable needs.[20]

EFFECT

The monetary effect of this finding is $104,543. This amount represents the portion of the approved commitment amount for the equipment that was not installed or is not in use by the Beneficiary after the service delivery date for FRN 2299056837.

RECOMMENDATION

AAD does not recommend a downward commitment adjustment as AAD confirmed the USAC finance systems automatically decommitted the funds not invoiced by May 28, 2025, the final invoicing deadline.

The Beneficiary must implement controls and procedures to ensure funding is requested only for its reasonable needs. The Beneficiary must request an extension before the deadline if the equipment will not be installed by then. The Beneficiary can familiarize itself with the FCC Rules related to funding requests at https://www.usac.org/e-rate/applicant-process/applying-for-discounts/funding-requests/. 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

> We acknowledge that any equipment not purchased or installed by the service delivery deadline will be excluded from the reimbursement request. Accordingly, we confirm a commitment adjustment in the amount of $104,543 for FRN 2299056837. We also affirm that no waste, fraud, or abuse has occurred, as no reimbursement request has been submitted while Audit No. SL2024LR001 remains in progress.

Finding #3: 47 C.F.R. § 54.504(a)(1)(iii)(2021) – E-Rate Funded Equipment Installed at an Unapproved Location

CONDITION

AAD obtained and examined documentation, including the Beneficiary's FCC Form 471, the FAL, and the corresponding service provider bills to select equipment for a physical site visit and determine whether the Beneficiary installed the requested internal connection equipment (i.e., nonrecurring services) for FRN

[19] Per USAC records, the last date to invoice by February 27, 2024 for category 1 services and January 28, 2025 for category 2 services.

[20] *See* Beneficiary's response to Summary of Audit Exceptions, received on December 20, 2024.

2299056837.[21] AAD identified four equipment items that were installed at 1201 W Lake Mead Blvd, Las Vegas, NV 89106. This location in Nevada is part of a different beneficiary entity (Democracy Prep of Las Vegas – billed entity number: 16039780) and is separate from the Democracy Prep school system associated with FRN 2299056837. In addition, the location in Nevada is not part of the locations listed on the FCC Form 471, nor is it part of the New York school district. See Table 3 below for details:

Table 3: Received Items Installed at a Location Not on the FCC Form 471

Item Type	Model	QTY	Pre-Discounted Cost
Stacking Cable	MA-CBL-100G-50CM	1	$309
Power Adapter	MA-PWR-1025WAC	1	$847
Power Cable	MA-PWR-CORD-US	1	$11
License for Switch	LIC-MS250-48FP-3YR	1	$535
	Total	**4**	**$1,702**

Although the Beneficiary has not invoiced the E-Rate program as of the audit's fieldwork completion date,[22] AAD concludes that the Beneficiary received a commitment for an amount equal to the discounted amount of the items installed in an unapproved location.[23] The E-Rate program over-committed amount is $1,447 ($1,702 multiplied by the Beneficiary's 85 percent discount rate) for FRN 2299056837.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules establishing the submission of funding requests on FCC Form 471. In addition, the Beneficiary did not have adequate controls and procedures in place to ensure that funding is requested only for its reasonable needs and is installed at the eligible and approved locations.[24]

EFFECT

The monetary effect of this finding is $1,447. This amount represents the portion of the approved commitment amount for the equipment not installed at an eligible location for FRN 2299056837.

RECOMMENDATION

AAD does not recommend a downward commitment adjustment as AAD confirmed the USAC finance systems automatically decommitted the funds not invoiced by May 28, 2025, the final invoicing deadline.

---

[21] AAD identified in Finding #2 equipment items that were not installed associated with this FRN; however, for this finding, AAD identified different equipment items installed in an unapproved location.
[22] The Fieldwork Completion Date was December 19, 2024.
[23] Per USAC records, the last date to invoice by February 27, 2024 for category 1 services and January 28, 2025 for category 2 services.
[24] *See* Beneficiary's response to Summary of Audit Exceptions, received on December 20, 2024.

The Beneficiary must implement controls and procedures to ensure that equipment is installed at location(s) requested on FCC form 471 and are part of the school district. The Beneficiary can familiarize itself with the FCC Rules related to funding requests at https://www.usac.org/e-rate/applicant-process/applying-for-discounts/funding-requests/. 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

We acknowledge that the items inadvertently installed at an unapproved location are not eligible for reimbursement. Once the installation error was identified, the Beneficiary acted promptly to correct the issue, as documented during Audit No. SL2024LR001. This was not an instance of willful non-compliance. The Beneficiary has implemented additional controls and procedures to ensure that funding is requested only for reasonable needs and that all equipment is installed at eligible, approved locations.

We concur with the commitment adjustment of $1,447 for FRN 2299056837. As noted, the Beneficiary has not submitted any invoices to the E-Rate program while Audit No. SL2024LR001 remains in progress.

Finding #4: 47 C.F.R. § 54.504(a) (2021), FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2; FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 - Service Provider Invoiced E-Rate Program for Costs that Exceeded Amounts Requested and Approved on FCC Form 471

CONDITION

AAD obtained and examined documentation, including the Beneficiary's FCC Form 471, the legally binding agreement between the Service Provider and the Beneficiary, the Service Provider's bills, and the SPIs the Service Provider submitted to the E-Rate program to determine whether the Service Provider submitted accurate invoices to the E-Rate program for the services requested and approved for FRN 2299032154 for a sample of 7 months (December 2022 – June 2023). The Beneficiary requested and was approved for data transmission and internet access services at multiple locations, with a total pre-discounted monthly amount of $30,700, on its FCC Form 471. However, AAD observed that neither the quantity nor the price agreed with the FCC Form 471 for FRN Line Item #1, 10 Gbps upload and download speed. The Service Provider invoiced the E-Rate program for billed monthly recurring service charges that exceeded the service rates specified in the contract and FCC Form 471, as detailed below.[25]

[25] 47 C.F.R. §54.504 (f)(3).

FRN Line Items	Upload and Download Speed	Form 471		SP Bill to BEN and Invoice to USAC		Total Monthly Overcharge Amount (D) = (B)-(A)*(C)
		Monthly Recurring Cost (MRC) (A)	Qty	Monthly Recurring Cost (MRC) (B)	Qty (C)	
1	10 Gbps	$2,400	9	$2,700	8	$2,400

The Beneficiary has a contract for nine approved locations at an MRC of $2,400 per location, making it eligible for funding up to $21,600 ($2,400 × 9 locations) under FRN Line Item #1. The Service Provider invoiced the E-Rate program an MRC of $2,700 for eight locations, although the MRC noted on the FCC Form 471 and the contract is $2,400 per location. Therefore, the Service Provider invoiced the E-Rate program an excess of $300 in the MRC for each location, resulting in a monthly excess charge of $2,400 for the eight locations and a total pre-discount excess charge of $16,800 ($2,400 × 7 months of sampled invoice). With a Beneficiary discount rate of 90%, the total discounted over-invoiced amount is $15,120 ($16,800 × 90% discount rate).

CAUSE

The Beneficiary and Service Provider did not demonstrate sufficient knowledge of the FCC Rules governing the submission of invoices to the E-Rate program for approved, eligible services. In addition, the Beneficiary and the Service Provider did not have adequate controls and procedures in place to ensure that services were charged at the agreed-upon contract rates. The Service Provider bid for the service without a proper assessment of the network plan of the service offered.[26] The Beneficiary informed AAD that service installation could not happen as intended in the bidding document without incurring additional construction expenses; therefore, multiple circuits were aggregated, and a decision was made to allocate the monthly cost of a few requested services across the other locations, resulting in each of those locations being billed at a rate in excess of what was submitted and agreed upon.[27]

EFFECT

The monetary effect of this finding is $15,120. This amount represents the invoiced amount disbursed by the E-Rate program for the Beneficiary's discounted portion of the services delivered as a result of the Service Provider not billing the Beneficiary at the appropriate rate for services related to FRN 2299032154.

FRN	Monetary Effect	Overlapping Recovery[28]	Recommended Recovery
2299032154	$15,120	$15,120	$0

[26] *See* Beneficiary's response to Summary of Audit Exceptions, received on December 20, 2024

[27] *See* Beneficiary's response to audit inquiry #15, received on October 25, 2024.

[28] This amount represents a portion of the monetary effect noted in Finding 1; *see also* Finding 1: 47 C.F.R. § 54.511(a) (2021) - Inadequate Competitive Bidding Evaluation – Disqualification and Price Criteria.

RECOMMENDATION

AAD recommends that USAC Management seek recovery of $15,120, to the extent funds have not already been recovered as a result of other findings included in this audit report.

The Beneficiary must implement controls and procedures to ensure the Service Provider bills for services appropriately at rates in accordance with its contract with the Service Provider. The Beneficiary can familiarize itself with contract requirements at https://www.usac.org/e-rate/applicant-process/selecting-service-providers/contracts/.

The Service Provider must implement controls and procedures to ensure the E-Rate program is invoiced only for the Beneficiary's discounted portion of the eligible amount requested on the FCC Form 471 and committed in an FCDL, as required by the FCC Rules. The Service Provider can familiarize itself with the FCC Rules related to invoicing at https://www.usac.org/e-rate/applicant-process/invoicing/. The Service Provider 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 has since implemented policies, controls, and procedures to ensure full compliance with all E-Rate program rules and requirements.

SERVICE PROVIDER RESPONSE

The Service Provider declined to respond.[29]

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 Provider bills to determine whether the Service Provider (Zayo Group, LLC) only billed the Beneficiary for the non-discounted portion of costs on the bills, plus the costs of any ineligible services. Specifically, for Funding Year 2022, the Beneficiary elected to receive E-Rate reimbursement from USAC for the following FRNs using the Service Provider Invoice (SPI) method[30] at the following discount rate:

[29] AAD's request for Service Provider Response was sent on October 24, 2025, due November 7, 2025. AAD sent a follow up to the Service Provider on November 7, 2025, allowing an extension to November 11, 2025. AAD did not receive a response from the Service Provider by the extended due date.

[30] *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, paras. 234-235, n. 567 (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*); 47 C.F.R. § 54.514 (c) (2021).

FRN	Discount
2299032154	90%

Under the SPI method, service providers bill the Beneficiary for only the non-discounted share of costs for eligible services (and the costs for any ineligible services), and invoice USAC for the remaining discounted share of the costs for eligible services. Thus, under the SPI method, beneficiaries are responsible for paying service providers only for the non-discounted share of costs (plus the costs of any ineligible equipment and services), and the service provider is required to invoice USAC for the discounted share of costs of eligible equipment and services in order to receive payment.[31] However, in this case, the Service Provider instead billed the Beneficiary for the *full pre-discount costs* of the eligible equipment and/or services for the FRNs listed in the table above, rather than only the Beneficiary's non-discounted share of the costs (plus the costs of any ineligible equipment and services) on the December 1, 2022, and January 1, 2023, bills. 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 Beneficiary's account to be applied to future billing periods, in this case, on the February 1, 2023, bill.

CAUSE

The Service Provider did not have adequate knowledge of the referenced FCC rules to ensure compliance.[32]

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 the eligible equipment and services during the period at issue. However, there is no monetary effect since the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. AAD identifies that, by selecting the SPI reimbursement method, the Beneficiary was only required to pay the Service Provider the non-discounted portion of the costs of the eligible equipment and services. Requiring that the Beneficiaries 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.[33] 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.[34]

RECOMMENDATION

The Service Provider must implement policies, controls, and procedures to obtain and process FRN funding details so that it 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 Provider should familiarize itself with the FCC Rules related to invoicing at https://www.usac.org/e-rate/service-providers/step-5-invoicing/.

---

[31] *Id*. *See also* 47 C.F.R. § 54.504 (f) (5) (2021), and Schools and Libraries Universal Service, Service Provider Invoice (SPI) FCC Form 474, Block 3.

[32] Based on the Beneficiary's response to the Summary of Audit Exceptions received on October 6, 2025.

[33] *See First 2014 E-Rate Order*, FCC 14-99 at para. 235; *Second Report and Order*, FCC 03-101 at paras. 44, 46-47; *First Universal Service Order*, FCC 97-157 at para. 586.

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

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/.

BENEFICIARY RESPONSE

The Beneficiary has implemented policies, controls, and procedures to ensure ongoing compliance with all E-Rate program policies and requirements.

SERVICE PROVIDER RESPONSE

The Service Provider declined to respond.[35]

[35] AAD's request for Service Provider Response was sent on October 24, 2025, due November 7, 2025. AAD sent a follow up to the Service Provider on November 7, 2025, allowing an extension to November 11, 2025. AAD did not receive a response from the Service Provider since then.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.511(a) (2021).	Except as exempted in § 54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.
#1	*Requests for Review of a Decision of the Universal Service Administrator by Baltimore City School District, Baltimore, Maryland,* CC Docket No. 02-6, DA 11-1368, para. 12 (2011)	"We expect that applicants …would provide notice-in either its FCC Form 470 or its RFP- to all potential bidders as to …which criteria will be used as disqualification criteria, and the circumstances under which bidders will be disqualified from further consideration.".
#1	*Requests for Review of Decisions of the Universal Service Administrator by Central Islip Free Union School District, Colorado City, Arizona*, CC Docket No. 02-6, Order, DA 11-1087, paras. 17-18 (2011).	17. Northwest. USAC denied seven funding requests in Northwest's funding year 2008 application on the ground that Northwest failed to adhere to its own evaluation criteria in the vendor selection process. Specifically, USAC found that the vendor selection worksheets submitted to USAC during the application review process had not been completed and did not show how each of the three vendors submitting bids was scored against the established evaluation criteria. 18. In its request for review, Northwest asserts that its selection committee considered several factors in determining which vendor offered the most cost-effective means of meeting its educational goals: reliability and response time, infrastructure, record of support and service, confidence in vendors, and educational application of technology. Northwest also states that price was a primary consideration in the committee's unanimous decision to retain Northwest's existing service provider, GCI Communications Corporation (GCI). As evidence of these assertions, Northwest provides a copy of a worksheet containing a chart that includes the price proposals of three bidders and the notations of a committee member listing five criteria used to select the winning bidder. Northwest also provides a copy of a document entitled '[Northwest] E-rate Contract Proposal Evaluation" (Proposal Evaluation document), which was to be used in the vendor selection process. The Proposal Evaluation document lists nine evaluation criteria and the number of points assigned to each criterion. In addition, Northwest provides the affidavit of a committee member attesting that Northwest's vendor selection process complied with program rules. Northwest maintains that it has been unable to locate the scoring matrix used during its vendor review and selection process, but that the committee acted

Finding	Criteria	Description
		fairly, responsibly, and objectively in selecting Gd. Northwest argues that the omission of a scoring matrix is a procedural error, not a substantive one, and that the committee's consideration of the criteria complied with program requirements.
#1	*In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, FCC Order, DA-20-1091, paras. 17-21. (WCB 2020).	Competitive bidding is a cornerstone of the E-Rate program, ensuring that applicants are informed of their options and service providers have sufficient information to provide services, leading to cost-effective pricing, and guarding against waste, fraud, and abuse. The Bureau recognizes, however, that schools could not have anticipated the need for additional bandwidth when they competitively bid for services and submitted their applications during the initial funding year 2020 application window and that many are now facing tremendous connectivity challenges as the school year begins. To help them meet this urgent need, the Bureau will allow applicants to request E-Rate discounts for their bandwidth increases without conducting additional competitive bidding subject to the limitations in the following, while setting a limit on the price per megabit applicants request to serve as a safeguard against wasteful spending.
#1	*In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, FCC Order, DA-20-1091, para 6. (WCB 2020).	Prior Relief to E-Rate Program Participants Affected by Natural Disasters. In some limited circumstances, the Commission has opened an additional filing window to allow schools and libraries affected by natural disasters to request additional E-Rate discounts to rebuild and restore eligible services damaged or lost as a result of a hurricane. In 2005, for example, the Commission adopted temporary rules and opened a second funding year 2005 filing window to help meet the needs of schools and libraries damaged by Hurricane Katrina, as well as the needs of schools and libraries serving students and patrons displaced by the hurricane
#2	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. 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.
#3	47 C.F.R. § 54.504(a)(1)(iii) (2021).	The entities listed on the FCC Form 471 application have secured access to all of the resources, including computers, training, software, maintenance, internal connections, and electrical connections, necessary to make effective use of the services purchased. The entities listed on the FCC Form 471 will pay the discounted charges for

Finding	Criteria	Description
		eligible services from funds to which access has been secured in the current funding year or, for entities that will make installment payments, they will ensure that they are able to make all required installment payments. The billed entity will pay the non-discount portion of the cost of the goods and services to the service provider(s).
#4	47 C.F.R. § 54.504(a) (2021).	An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart shall, upon entering into a signed contract or other legally binding agreement for eligible services, submit a completed FCC Form 471 to the Administrator.
#4	FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2;	I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider contain requests for universal service support for service which have been billed to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision. I certify that the invoices submitted by the 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.
#4	FCC Form 474, Service Provider Invoice (SPI) Form at Block 3	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 the Service Provider are true and correct.
#4	47 C.F.R. §54.504 (f)(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.

Other Matter	Criteria	Description
Other Matter	47 CFR § 54.514(a).	Invoices must be submitted to the Administrator: (1) 120 days after the last day to receive service; (2) 120 days after the date of the FCC Form 486 Notification Letter; or

Other Matter	Criteria	Description
		(3) 120 days after the date of the Revised Funding Commitment Decision Letter approving a post-commitment request made by the applicant or service provider or a successful appeal of a previously denied or reduced funding request, whichever is latest.
Other Matter	*Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, paras. 234-235, n. 567 (2014) (*First 2014 E-Rate Order*).	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. 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.
Other Matter	*Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, para. 586 (1997) (*Universal Service Order*).	[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.
Other Matter	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 03-101, paras. 44, 46-47 (2003).	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.

Other Matter	Criteria	Description
Other Matter	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 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.
Other Matter	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.
Other Matter	Schools and Libraries Universal Service, Service Provider Invoice (SPI) FCC Form 474, Block 3	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.

Attachment G

SL2025LR021

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Beneficiary & Contributor Performance Audit

CENTRAL CHARTER SCHOOL

Limited Scope Performance Audit on Compliance with the Federal Schools and Libraries Universal Service Support Mechanism (E-Rate) Rules

USAC Audit No. SL2025LR021

Prepared by Deloitte & Touche LLP

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2

PERFORMANCE AUDIT RESULT AND COMMITMENT ADJUSTMENT ACTION 4

USAC MANAGEMENT RESPONSE 4

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES 5

DETAILED PERFORMANCE AUDIT FINDING 7

Finding: 47 C.F.R. § 54.516 (b)-(c) (2022) – Failure to Comply with Requests of an Audit 7

EXECUTIVE SUMMARY

June 23, 2026

Emilio Velazquez, Director of Technology
Central Charter School
4525 North State Road 7
Lauderdale Lakes, FL 33319

Dear Mr. Velazquez,

On behalf of The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD), Deloitte & Touche LLP (Deloitte) executed a performance audit[1] over the compliance of Central Charter School (Beneficiary), Billed Entity Number (BEN) 207880, using regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the E-Rate program) set forth in 47 C.F.R. Part 54, as well as, orders and other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited scope performance audit.

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

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Performance Audit Results and Commitment Adjustment 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 performance audit period. Deloitte's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Deloitte, 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.

[1] In this instance, "Audit" does not refer to an audit or review of Financial Statements as described in the statements on standards of attest services issued by the American Institute of Certified Public Accountants (AICPA).

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

Sincerely,

Shawn Kilchrist
Managing Director
Deloitte & Touche LLP

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

PERFORMANCE AUDIT RESULT AND COMMITMENT ADJUSTMENT ACTION

Audit Result	Monetary Effect	Recommended Commitment Adjustment
Finding: 47 C.F.R. § 54.516 (b)-(c) – Failure to Comply with Requests of an Audit The Beneficiary did not provide the information requested for Funding Request Numbers 2399054883 and 2399054981 to the auditors to demonstrate compliance with the FCC Rules.	$37,430	$37,430

USAC MANAGEMENT RESPONSE

USAC Management concurs with the performance 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 performance audit report. See the chart below for USAC Management's recovery action by FRN.

FRN	USAC Commitment Adjustment	Rationale for Difference (if any) from Auditor Recommended Commitment Adjustment
2399054883	$3,329	$3,329
2399054981	$34,101	$34,101
Total	**$37,430**	**$37,430**

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

The purpose of the performance 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 (Performance Audit Period):

Service Type	Funding Request Number	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	2399054883	$3,329	$0
Data Transmission and/or Internet Access	2399054981	$34,101	$0
Total		**$37,430**	**$0**

Note: The amounts committed and disbursed reflect Funding Year 2023 activity as of the commencement of the performance audit and excludes any applications/FRNs that have been cancelled.

The committed total represents one FCC Form 471 application, *Description of Services Ordered and Certification Form*, with two Funding Request Numbers (FRNs). Deloitte selected both FRNs, which represent $37,430 of the funds committed ($0 of the funds were disbursed during the performance 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 located in Lauderdale Lakes, Florida, that serves over 1,000 students in the community.

PROCEDURES

We performed the following procedures:

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to program applications through a process walkthrough discussion; however, insufficient details were obtained to perform testing procedures due to the Beneficiary not providing the requested information, including (1) to determine the Beneficiary's effective use of funding and ensure adequate controls existed to determine whether funds were used in accordance with the FCC Rules, (2) supporting documentation required to confirm the accuracy and eligibility of the discounts applied, and (3) documentation to determine whether the Beneficiary complied with the E-Rate program Children's Internet Protection Act (CIPA) requirements and obtaining/evaluating the Beneficiary's Internet Safety Policy to determine if the Beneficiary communicated and administered the policy.

B. Competitive Bidding Process

We obtained an understanding of the Beneficiary's processes relating to competitive bidding through a process walkthrough discussion; however, insufficient details were obtained to perform detailed testing procedures due to the Beneficiary not providing the requested information, including seeing how the

Beneficiary evaluates bids, assessing waiting the required 28 days in which FCC Form 470 was posted on USAC's website, and examining service provider contracts for proper execution.

C. Invoicing Process

We obtained an understanding of the Beneficiary's processes relating to invoicing through a process walkthrough discussion; however, considering there were no disbursements from USAC to the Beneficiary during Funding Year 2023, certain invoicing activities in the performance audit plan were not applicable.

D. Site Visit

We did not participate in a site visit; however, considering there were no disbursements from USAC to the Beneficiary during Funding Year 2023, onsite activities in the performance audit plan were not applicable.

E. Reimbursement Process

We obtained an understanding of the Beneficiary's processes relating to reimbursements through a process walkthrough discussion; however, considering there were no disbursements from USAC to the Beneficiary during Funding Year 2023, certain reimbursement activities in the performance audit plan were not applicable.

DETAILED PERFORMANCE AUDIT FINDING

Finding: 47 C.F.R. § 54.516 (b)-(c) (2022) – Failure to Comply with Requests of an Audit

CONDITION

On March 10, 2025, we contacted the Beneficiary to announce the audit for the services received for Funding Year 2023. We provided the Beneficiary with an audit announcement letter, which was accompanied by a document request list. The requested items on the list were due April 2, 2025. The Beneficiary did not provide the information requested for Funding Request Numbers 2399054883 and 2399054981 to the auditors to assess the Beneficiary's use of the committed funding. We made four attempts to follow up with the Beneficiary following our last contact (April 28, 2025, April 30, 2025, May 7, 2025, and May 20, 2025), with no response each time. A jeopardy letter was issued to the Beneficiary on June 16, 2025, and as of the date of this report, the Beneficiary has not responded to the audit requests.

According to records provided by USAC, no disbursements were made to the Beneficiary in Funding Year 2023; however, due to the Beneficiary's lack of response and the inability to conduct the testing associated with the performance audit program, Deloitte was unable to assess the appropriateness of the amount committed.

We are required to conduct audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),[2] which require the auditors to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[3] The Beneficiary did not provide sufficient documentation to: 1) demonstrate the Beneficiary's effective use of funding and ensure adequate controls existed to determine whether funds were used in accordance with the FCC Rules; 2) confirm the accuracy and eligibility of the discounts applied; 3) determine whether the Beneficiary complied with the E-Rate program CIPA requirements by obtaining/evaluating the Beneficiary's Internet Safety Policy to determine if the Beneficiary communicated and administered the policy; and 4) assess the Beneficiary 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 and entered into a valid contract or had a legally binding agreement with its service provider, as well as, whether the Beneficiary paid its non-discounted share of services for the FRNs mentioned above. We therefore concluded that the Beneficiary did not provide adequate documentation to demonstrate that it complied with the FCC Rules.

As of December 3, 2025, we confirmed with the E-Rate program that there were no disbursements from USAC to the Beneficiary during Funding Year 2023. We also confirmed that the funds for both FRNs were de-obligated on May 10, 2025. Thus, the invoicing process, site visits and reimbursement process are excluded from this Finding.

---

[2] 47 C.F.R. § 54.702(n) (2022).

[3] *See* U.S. Government Accountability Office, Government Auditing Standards, GAO-18-568G, para. 8.01 (Rev. 2018) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

CAUSE

The Beneficiary indicated that because there were no amounts disbursed related to the 2023 Funding Year, the audit information requested was not applicable nor relevant.[4]

MONETARY EFFECT

The monetary effect for this finding is $37,430. This amount represents the total amount committed by the E-Rate program for FRNs 2399054883 and 2399054981.

FRN	Monetary Effect	Recommended Downward Commitment Adjustment
2399054883	$3,329	$3,329
2399054981	$34,101	$34,101
Total	**$37,430**	**$37,430**

RECOMMENDATION

We recommend that USAC Management issue a downward adjustment of the amount identified in the Effect section above.

We also recommend that the Beneficiary must develop and implement policies, procedures and controls to retain documentation associated with the E-Rate program for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request as required by the FCC Rules. In this regard, we note that the Beneficiary also should complete FCC Form 500 to cancel or decommit funds that are not needed.

BENEFICIARY RESPONSE

A formal response was requested from the Beneficiary on December 11, 2025. As of the report issuance date, the Beneficiary has not responded to this request.

AUDITOR RESPONSE

As a condition of their E-Rate participation, beneficiaries must retain and promptly provide all necessary documentation to verify program compliance during an audit. We recommend that USAC Management issue a downward adjustment of the amount identified in the Effect section above.[5]

[4] An email was received on May 2, 2025, from the Director of Technology, indicating Central Charter School's position that they believed the document request exceeded the scope of the performance audit.

[5] *See* 47 CFR § 54.516(b)-(c) (2002); *see also Federal-State Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9081, para. 581 (1997) (*First Universal Service Order*) ("We agree with the Joint Board recommendation that schools and libraries, as well as carriers, be required to maintain appropriate records necessary to assist future audits. We share the Joint Board's expectation that schools and libraries will be able to produce such records at the request of any auditor appointed by a state education department, the fund administrator, or any other state or federal agency with jurisdiction that might suspect fraud or other illegal conduct, or merely be conducting a routine, random audit. We also agree. . . that eligibility for support be conditioned on schools' and libraries' consent to cooperate in future random compliance audits to ensure the services are being used appropriately."); *Schools and*

CRITERIA

47 C.F.R. § 54.516 (b)-(c) (2022)

"**Production of records.** Schools, libraries, consortia, and service providers shall produce such records at the request of any representative (including any auditor) appointed by a State education department, the Administrator, the FCC, or any local, State or Federal agency with jurisdiction over the entity."

"**Audits.** Schools, libraries, consortia, and service providers shall be subject to audits and other investigations to evaluate their compliance with the statutory and regulatory requirements for the schools and libraries universal service support mechanism, including those requirements pertaining to what services and products are purchased, what services and products are delivered, and how services and products are being used. Schools, libraries, and consortia receiving discounted services must provide consent before a service provider releases confidential information to the auditor, reviewer, or other representative."

This concludes the report.

Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd 15808, 15825-26, para. 50 (2004) (*Fifth Report and Order*) ("[W]e clarify that schools, libraries, and service providers remain subject to both random audits and to other audits (or investigations) to examine an entity's compliance with the statute and the Commission's rules initiated at the discretion of the Commission, USAC, or another governmental oversight body. We also conclude that failing to comply with an authorized audit or other investigation conducted pursuant to 54.516 of the Commission's rules (e.g., failing to retain records or failing to make available required documentation) is a rule violation that may warrant recovery . . . for the period of time for which such information is being sought.").

Attachment H

SL2025SP025

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Beneficiary & Contributor Performance Audit

UNITED DATA TECHNOLOGIES, INC.

Limited Review Performance Audit on Compliance with the Federal Schools and Libraries Universal Service Support Mechanism (E-Rate) Rules

USAC Audit No. SL2025SP025

Prepared by Deloitte & Touche LLP

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES 4

EXECUTIVE SUMMARY

June 24, 2026

Melissa Beckham, VP of Finance
United Data Technologies, Inc.
2900 Monarch Lakes Blvd Suite 300
Miramar, Florida 33027

Dear Ms. Beckham,

On behalf of The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD), Deloitte & Touche LLP (Deloitte) audited[1] the compliance of United Data Technologies, Inc. (the Service Provider), Service Provider Identification Number (SPIN) 143020605, for Funding Year 2023, using regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the E-Rate program) set forth in 47 C.F.R. Part 54, as well as, and orders and other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Service Provider. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the limited scope performance audit.

Deloitte 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 type and amount of services provided by the Service Provider to E-Rate program applicants (selected Beneficiaries), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider'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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period. 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.

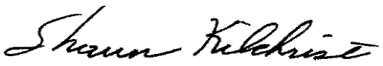
Certain information may have been omitted from this report concerning communications with USAC Management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Service Provider, and the FCC and should not be used 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 assistance extended by you and your staff during the audit.

---

[1] In this instance, "Audit" does not refer to an audit or review of Financial Statements as described in the statements on standards of attest services issued by the American Institute of Certified Public Accountants (AICPA).

Sincerely,



Shawn Kilchrist
Managing Director
Deloitte & Touche LLP

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

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

The purpose of the performance 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
Internal Connections	$19,595,220	$17,183,378
Basic Maintenance of Internal Connections	$1,023	$341
Total	**$19,596,243**	**$17,183,719**

Note: The amounts committed and disbursed reflect Funding Year activity as of the commencement of the performance audit and exclude any applications/FRNs that have been cancelled.

The total amount committed represents 73 FCC Form 471 applications, *Description of Services Ordered and Certification Forms,* with 89 Funding Request Numbers (FRNs). Deloitte selected four (4) FRNs,[2] which represent $4,936,790 of the funds committed and $4,892,719 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 Service Provider provides telephone and high-speed internet services to residents and commercial customers in west Texas and its headquarters are located in Spur, Texas.

PROCEDURES

We performed the following procedures:

A. Application Process

We obtained an understanding of the Service Provider's processes relating to the E-Rate program and examined documentation to determine whether it supported the Service Provider's effective use of funding and ensured adequate controls existed to determine whether funds were used in accordance with certain FCC Rules. We conducted inquiries to determine whether the Service Provider was eligible to receive funds and had the necessary resources to support the equipment for which funding was requested. We also conducted inquiries to obtain an understanding of the process the Service Provider used to calculate its discount percentage and assessed its accuracy.

B. Eligibility Process

We obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. We conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to determine whether controls exist to ensure equipment was

[2] The FRNs included in the scope of this audit are: 2399043193, 2399022211, 2399022229, and 2399023985.

eligible, delivered, and installed in accordance with the FCC Rules. We conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries' FCC Form 470.

C. Competitive Bidding Process

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

.

D. Billing Process

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

E. Site Visit

We performed a physical and virtual inspection to confirm the location and use of equipment and services and to determine whether the equipment was installed and located in eligible facilities.

F. Reimbursement Process

We obtained and examined the BEAR Forms and SPI Forms submitted for reimbursement for the equipment delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. We reviewed Service Provider bills associated with the BEAR and SPI Forms for equipment 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.

This concludes the report.

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

Entity Name	Number of Findings	Significant Findings[1]	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment I CVIN, LLC	0	• Not applicable.	$7,617,214	$25,702,332	$0	$0	N/A
Attachment J Top Communications Inc.	0	• Not applicable.	$239,220	$0	$0	$0	N/A
Total	**0**		**$7,856,434**	**$25,702,332**	**$0**	**$0**	

[1] Both audits include Other Matters, not audit findings; thus, while there may be a monetary effect, there is no USAC Management Recovery Action or Commitment Adjustment since there are no FCC rule violations.

Attachment I

SL2025SP005

CVIN, LLC

Limited Review Performance Audit on Compliance with the Federal Schools and Libraries Universal Service Support Mechanism (E-Rate) Rules

USAC Audit No. SL2025SP005

TABLE OF CONTENTS

EXECUTIVE SUMMARY....1

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION....3

USAC MANAGEMENT RESPONSE....3

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES....4

OTHER MATTERS....6

Other Matter #1: FCC Form 500 instructions, at 1 – Beneficiaries Did Not Submit an FCC Form 500 to Reduce or Cancel a Funding Request Number....6

Other Matter #2: *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....13

CRITERIA....16

EXECUTIVE SUMMARY

August 21, 2026

Jan Dubiakova, CFO
CVIN, LLC
7447 N Palm Bluffs
Suite 105
Fresno, CA 93711-5773

Dear Ms. Dubiakova:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of CVIN, LLC (the Service Provider), Service Provider Identification Number (SPIN)143035853 for Funding Year 2023, using the regulations governing the federal Schools and Libraries Universal Service Support Mechanism (also known as the E-Rate program), as set forth in 47 C.F.R. Part 54 as well as the Federal Communication Commission (FCC) orders and other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Service Provider. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the limited review performance audit.

AAD conducted the audit in accordance with the 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 type and amount of services provided by the Service Provider to E-Rate program applicants in the states of California (selected Beneficiaries), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider'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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period. However, our examination disclosed two other matters (Other Matters) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, an "Other Matter" is a condition that does not necessarily constitute a rule violation but warrants the 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 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 you and your staff provided during the audit.

Sincerely,



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
Other Matter #1: FCC Form 500 instructions at 1 – Selected Beneficiaries Did Not Submit an FCC Form 500 to Reduce or Cancel a Funding Request Number Amount. Selected beneficiaries did not submit FCC Form 500 to adjust the committed funding to reflect the reduced scope of service delivery.	$25,702,332	$0	$0
Other Matter #2: First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed selected beneficiaries for the Discounted Share of Costs While Using the Service Provider Invoice (SPI) Method. The Service Provider billed selected beneficiaries 100 percent of the cost of services rather than the non-discounted portion, as required by the SPI method.	$0	$0	$0
Total Net Monetary Effect	**$25,702,332**	**$0**	**$0**

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will request that the Beneficiary 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
Data Transmissions and/or Internet Access	$35,720,190	$7,617,214
Total	**$35,720,190**	**$7,617,214**

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

The total amount committed represents 86 FCC Form 471, *Description of Services Ordered and Certification Form*, applications with 124 Funding Request Numbers (FRNs). AAD selected 11 FRNs of the 124 FRNs,[1] which represent $28,525,535 of the funds committed and $2,025,021 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 selected beneficiaries.

BACKGROUND

The Service Provider provides data transmission and internet to customers in California, and its headquarters is located in Fresno, California.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the selected beneficiaries' processes relating to the E-Rate program. AAD obtained and examined documentation to determine whether it supported a determination that the beneficiaries effectively used E-Rate funding and ensured that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation/inspection of documentation to determine whether the beneficiaries were eligible to receive funds and had the necessary resources to support the services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the processes the beneficiaries used to calculate the applicable discount percentages and validated their accuracy.

[1] The FRNs included in the scope of this audit are: 2399010889, 2399030978, 2399031616, 2399031705, 2399031731, 2399031766, 2399031803, 2399031809, 2399035045, 2399042567, and 2399046238.

B. Eligibility Process

AAD obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. AAD conducted inquiries of the Service Provider and the selected beneficiaries and examined documentation to determine whether controls existed to ensure services were eligible and delivered in accordance with the FCC Rules. AAD conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected beneficiaries' FCC Form 470. AAD also reviewed the Service Provider's FCC Forms 473 and 498 to determine whether the forms were complete and accurate.

C. Competitive Bidding Process

AAD conducted inquiries and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the selected beneficiaries' competitive bidding process. AAD reviewed the Service Provider's contracts (if applicable) with the selected beneficiaries to determine whether the contracts were properly executed. AAD evaluated the services requested and purchased to determine whether the Service Provider provided the services requested in the selected beneficiaries' FCC Form 471. AAD also examined documentation to determine whether the Service Provider offered the selected beneficiaries the Lowest Corresponding Price (LCP) – or the lowest compensatory rate that it charged for the same or similar services offered to similarly-situated non-residential customers.

D. Billing Process

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

E. Site Visits

AAD performed virtual inspections to confirm the location and use of services and determine whether the services were delivered to eligible facilities.

F. Reimbursement Process

AAD obtained and examined the BEAR and SPI forms submitted for reimbursement for the services delivered to the selected beneficiaries and performed procedures to determine whether USAC was invoiced properly. AAD reviewed Service Provider bills associated with the BEAR and SPI Forms for services provided to the selected beneficiaries. AAD 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.

OTHER MATTERS

Other Matter #1: FCC Form 500 instructions, at 1 – The Selected Beneficiaries Did Not Submit an FCC Form 500 to Reduce or Cancel a Funding Request Number

CONDITION

AAD obtained and examined the FCC Form 474 SPI forms, the selected beneficiaries' FCC Forms 471, the Service Provider's contracts, and the corresponding Service Provider bills to determine whether the Service Provider invoiced the E-Rate program for the correct discounted costs of services as requested by the selected beneficiaries and approved by the E-Rate program. The Service Provider did not perform any work related to several contracts. As a result, it did not bill those beneficiaries for any services. For other contracts, the Service Provider was unable to bill for the full value of the approved services, as detailed below. These beneficiaries did not submit an FCC Form 500 to reduce or cancel committed amounts of the FRNs. Specifically,

- For FRNs 2399031616, 2399031766, and 2399031803, the Beneficiary (Cenic-Corporation For Education Network Initiatives In California) canceled the contracts for special construction projects with the Service Provider after its state funding request, which would have paid for the portion of the services not covered by the E-Rate program, was not approved.
- For FRNs 2399042567 (Arvin Union School District) and 2399031705 (Cenic-Corporation For Education Network Initiatives In California), the services did not start at the beginning of the funding year and therefore were not active for the full funding year.
- For FRNs 2399042567 (Arvin Union School District), 2399046238 (Kings Canyon Unif School District), 2399035045 (Selma Unified School District), and 2399031705 (Cenic-Corporation For Education Network Initiatives In California), the Service Provider billed for quantities less than the quantities approved in the FCC Forms 471.

The E-Rate program committed funds as reflected in the Funding Commitment Decision Letter (FCDL); however, the selected beneficiaries did not submit an FCC Form 500 to adjust the committed funding to reflect the reduced scope of service delivery. The table below summarizes the impacted FRNs and the monetary effect of the significant underutilization of committed funds.

FRN	Service Type	One-Time Cost A	Monthly Recurring Eligible Unit Cost B	Quantity C	# of Months Not Billed D	Discount Rate E	Funding Commitment Amount [A + (B*C*D)]*E
2399042567	Ethernet	$0	$11,880	4	8.77	90%	$375,075
	Taxes and USF Fees	$0	$1,973	4	12	90%	$85,234
2399046238	Taxes and USF Fees	$0	$634	20	12	90%	$136,944
	Taxes and USF Fees	$0	$342	20	12	90%	$73,872
2399035045	Taxes and USF Fees	$0	$1,413	12	12	90%	$183,125
2399031705	Ethernet	$0	$2,850	1	10	88%	$25,080

FRN	Service Type	One-Time Cost A	Monthly Recurring Eligible Unit Cost B	Quantity C	# of Months Not Billed D	Discount Rate E	Funding Commitment Amount [A + (B*C*D)]*E
		$0	$2,850	2	12	88%	$60,192
	Taxes and USF Fees	$0	$1,167	3	12	88%	$36,971
	Ethernet	$0	$2,850	2	12	88%	$60,192
	Taxes and USF Fees	$0	$1,167	2	12	88%	$24,647
2399031616	Lit Fiber (with Special Construction)	$22,000,000	$0	1	1	90%	$19,800,000
2399031766	Lit Fiber (with Special Construction)	$2,700,000	$0	1	1	94%	$2,538,000
2399031803	Lit Fiber (with Special Construction)	$2,450,000	$0	1	1	94%	$2,303,000
Total							**$25,702,332**

While FCC Rules do not require submitting a Form 500 to reduce excess commitments, it is encouraged to allow for return of potential funding and provide an opportunity for potential reallocation to other beneficiaries.

CAUSE

The selected beneficiaries did not accurately plan or forecast their need for service during the FCC Form 471 filing process, resulting in an overstatement of the number of entities requiring services. The selected beneficiaries also did not demonstrate sufficient knowledge of the process by which a program participant may submit an FCC Form 500 to cancel or reduce a funding commitment or revise a submitted FCC Form 471 to accurately reflect the products and services delivered under the contract and for which the E-Rate program would be invoiced.[2]

EFFECT

The monetary effect of this other matter is $25,702,332. This amount represents the commitment adjustments that would have reduced the amounts committed by the E-Rate program for Funding Year 2023. There is no recommended recovery or further action as the funds were decommitted by the E-Rate program on April 27, 2025.

[2] Beneficiaries' responses to Audit Result Summary received May 1, 2025, and May 8, 2025.

RECOMMENDATION

AAD recommends that USAC Management conduct outreach to the selected beneficiaries to remind them to use the FCC Form 500 to cancel or reduce any excess commitment as soon as they are aware that services will not be utilized.

The selected beneficiaries should implement a process to determine the need for an FCC Form 500 to reduce or cancel an FRN amount, when approved funding commitments are determined to exceed need in that funding year. The selected beneficiaries must also familiarize themselves with FCC Rules governing the invoicing process to ensure billing aligns with both the Service Provider contract and associated FCC Form 471. The selected beneficiaries can learn more about the E-Rate program's training opportunities on USAC's website at https://www.usac.org/e-rate/applicant-process/before-youre-done/fcc-form-500-filing/ and keep current on E-Rate news at https://www.usac.org/e-rate/resources/news-brief/.

BENEFICIARY RESPONSE

ARVIN UNION SCHOOL DISTRICT RESPONSE– FRN 2399042567

The Beneficiaries acknowledge the circumstances described in Other Matter #1 regarding the reduction in scope and underutilization of certain Funding Request Numbers (FRNs) during Funding Year 2023.

The Beneficiaries note that the affected projects and services were impacted by a combination of factors, including delays in service implementation, reduced service needs, and the cancellation of certain special construction projects after anticipated state funding support was not approved. The Beneficiaries further acknowledge that FCC Form 500 reductions or cancellations were not submitted timely for the impacted FRNs.

The Beneficiaries appreciate the guidance provided by USAC and have already implemented corrective measures to strengthen internal E-Rate management procedures. These measures include enhanced reconciliation and review processes to compare approved FRN commitments against actual service delivery, invoicing, and project implementation status throughout the funding year. In addition, procedures have been implemented to identify excess commitments promptly and to ensure timely submission of FCC Form 500 reductions or cancellations when appropriate.

The Beneficiaries also note that the associated funding commitments were already decommitted by USAC prior to issuance of this report, and no improper payments or financial recovery actions were identified.

The Beneficiaries remain committed to continued compliance with FCC Rules and appreciate the opportunity to address these matters collaboratively with USAC and the Service Provider.

KINGS CANYON UNIF SCHOOL DISTRICT RESPONSE– FRN 2399046238

We acknowledge that there are no monetary findings. However, we also acknowledge that there is an "other matter" regarding that the fact that a Form 500 is recommended to be filed to return unused funds.

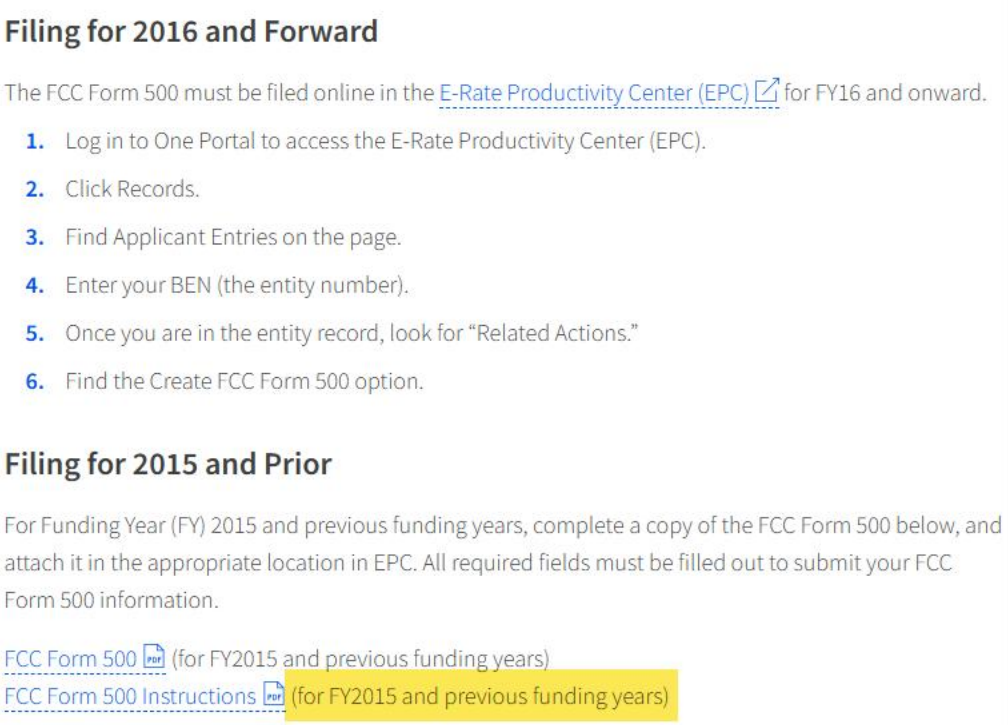
SELMA UNIF SCHOOL DISTRICT RESPONSE– FRN 2399035045

Selma Unified School District will take into consideration the recommendation to better utilize the Form 500 in future funding years to reduce or cancel an FRN amount, if commitments are in excess of needed funding.

CENIC-CORPORATION FOR EDUCATION NETWORK INITIATIVES IN CALIFORNIA RESPONSE– FRNS 2399031705, 2399031616, 2399031766, 2399031803

CENIC respectfully asks that this "Other Matter" be removed from this audit report in its entirety for the following reasons.

1. The report indicates that there was no rule violation. Furthermore, because there were no improper disbursements, there should be no monetary effect. The word "finding" under the section "EFFECT" is inappropriate as well because this has been labeled as an other matter and not a rule violation.
2. The Criteria cited for this other matter rely on FCC Form 500 instructions dated December 2016 which USAC identifies on its website as for funding years 2015 and prior (https://www.usac.org/e-rate/applicant-process/before-youre-done/fcc-form-500-filing/).



Filing for 2016 and Forward

The FCC Form 500 must be filed online in the E-Rate Productivity Center (EPC) for FY16 and onward.

1. Log in to One Portal to access the E-Rate Productivity Center (EPC).
2. Click Records.
3. Find Applicant Entries on the page.
4. Enter your BEN (the entity number).
5. Once you are in the entity record, look for "Related Actions."
6. Find the Create FCC Form 500 option.

Filing for 2015 and Prior

For Funding Year (FY) 2015 and previous funding years, complete a copy of the FCC Form 500 below, and attach it in the appropriate location in EPC. All required fields must be filled out to submit your FCC Form 500 information.

FCC Form 500 (for FY2015 and previous funding years)
FCC Form 500 Instructions (for FY2015 and previous funding years)

Because USAC's website indicates these instructions apply to FY2015 and previous funding years, the Criteria cited in this audit report should not apply to the funding requests reviewed for funding year 2023.

3. There is an inaccurate assumption based on an earlier response from CENIC that CENIC does not demonstrate sufficient knowledge of the purpose of the FCC Form 500 to reduce funding commitments in order to de-obligate funds. CENIC's earlier assessment is based on the

current reality of program administration and the FCC's own stated intention of using the invoice deadline as a mechanism to de-obligate funds. CENIC stated the following (as cited in footnote 2 in this audit report):

"CENIC respectfully asserts that there was no rule violation here. In fact, the FCC Form 500 is not typically used to deobligate funds, nor does USAC's Schools and Libraries Division promote the use for this purpose.

In the 2014 E-Rate Modernization Order, FCC 14-99, the FCC clearly showed its intention that the invoice deadline on funding requests would be the mechanism for USAC to use in de-obligating funds: "We also codify USAC's existing invoice filing deadline to allow applicants to request and automatically receive a single one-time 120-day extension of the invoicing deadline. Codifying the invoicing deadline will provide certainty to applicants and service providers. Providing certainty on invoicing deadlines will also allow USAC to de-obligate committed funds immediately after the invoicing deadline has passed, providing increased certainty about how much funding is available to be carried forward in future funding years. The invoice deadline extension rule will be effective beginning in funding year 2014." (emphasis added).

The FCC further states "In light of our codification of the invoice deadline, we direct USAC, working with OMD, to determine the appropriate de-obligation date for funds against which an invoice has not been received for a particular funding year, taking into account the existence of pending appeals, holds, investigations, and other matters. Our goal is to have USAC establish, working with OMD, a date on which the bulk of undisbursed funds from a given funding year can be de-obligated. By de-obligating those funding commitments, USAC will have greater certainty with respect to the amount of funds from past funding years that can be carried forward for future requests." (emphasis added) There is no mention in the FCC order, nor on USAC's website (https://www.usac.org/e-rate/applicant-process/before-youre-done/fcc-form-500-filing/), that there is an obligation or requirement for an applicant to file an FCC Form 500 to de-obligate funds."

CENIC understands that reducing and/or cancelling funding requests is one of multiple uses of the FCC Form 500. CENIC has simply followed the FCC and USAC's lead in the administration of the FCC Form 500.

4. Use of the FCC Form 500 to de-obligate funds is, in practical terms, moot due to the program having a significant excess of available funds under the program cap each year since funding year 2015. AAD speculates that "While the FCC Rules do not require submitting a Form 500 to reduce excess commitments, it is encouraged to return potential funding and reallocate it to other beneficiaries." However, it has not been necessary for USAC to reallocate returned funds to other beneficiaries since funding year 2014 as the FCC raised the cap effective funding year 2015 and the cap has far exceeded funding requests every year since then. For funding year 2023, the specific year of the funding requests under review, the FCC established the annual program cap at $4.768 billion in Public Notice DA 23-178, released on March 3, 2023. The FCC then authorized the funding of all category one and two funding requests at a cumulative demand of $2.944 billion, $1.82 billion less than the program cap, in Public Notice DA 23-425

released on May 19, 2023. It is not reasonable to infer that USAC is reliant on return of program funding through the FCC Form 500 in order to reallocate funding to other beneficiaries when this has not been necessary in practice for 12 years.

5. AAD speculates that "The Beneficiaries did not accurately plan or forecast its service needs during the FCC Form 471 filing process, resulting in an overstatement of the number of entities requiring services." This assessment is not based on any statement made by CENIC as there were no discussions between the auditors and CENIC about CENIC's application process or forecasting of services listed on its annual funding requests. Further, it does not acknowledge the actual nature of the application process for beneficiaries or the practical realities facing service providers in the delivery of services. Because the FCC Form 471 is certified months ahead of the start of the funding year it is difficult to impossible to determine the actual service start date of any new service. There is only certainty for ongoing contracts where services have already been delivered and/or the end date of existing contracts. Program stakeholders have communicated to both the FCC and USAC of the challenges of "Transitioning Services" and how this can detrimentally impact discounts for beneficiaries. CENIC manages thousands of broadband connections for schools and libraries and has found there are a number of circumstances that would contribute to an unknown service start date for new services:

a. New service providers are unable to deliver services in a timely manner due to circumstances outside of their control, such as obtaining necessary permits or meeting other state or local requirements.

b. State or local funding is not approved to pay for the non-discounted share. The approval timing and process is outside of CENIC and the service providers' control.

c. Consortium members withdraw or determine not to order new services and do not communicate this to CENIC until after the FCC Form 471 is approved.

Because CENIC cannot forsee [*sic*] all possible issues that may arise related to service delivery or funding approval, it must fall back on July 1 as the service start date for any new services.

Correcting the service start date on a funding request using the FCC Form 500 can be extremely complicated. A single funding request may include one or more funding request line items associated with one or more broadband services. In any circumstance where there are multiple services on the same funding request with differing service start dates, USAC must create a new FRN for each instance a start date differs. The applicant may not have the actual start date for each new service on a funding request identified until the end of the funding year. If new funding requests are created by USAC for this reason, and any funding is disbursed on the original funding request, USAC must issue a Commitment Adjustment Letter and Improper Payment Letter to the service provider and funds must be returned to USAC and then re-invoiced under the newly established funding request(s). This phenomenon creates immense complexity for the applicant, service provider, and USAC. Further it is

extremely burdensome for the applicant or service provider to have to return funds for eligible services already received and discounted.

AAD has not identified that funds were disbursed improperly. The recommendation has implications beyond a simple date change and the FCC and USAC should carefully consider if this obligation is truly in the interest of the program.

6. AAD recommends that "The Beneficiaries must implement a process to determine whether it should submit an FCC Form 500 to reduce or cancel an FRN amount, if commitments are in excess of needed funding." (emphasis added). This should not be an obligation for CENIC unless it is also an obligation for all beneficiaries of the program. Furthermore, USAC and/or the FCC must clearly identify the specific obligation and the timing of such. Two of the funding requests cited in this report were cancelled via an FCC Form 500 after funds were de-obligated. As this was not acknowledged by AAD in the report, there is a lack of reasonable direction or guidance for the expectation of complying with the recommendation. If enforceable, specific guidance of the obligation to use the FCC Form 500 to reduce or cancel any amount of unused committed funding must be communicated to every beneficiary that has unused funds or services. This could significantly impact almost all beneficiaries with category one services. It is CENIC's opinion that this would be contrary to the intent of the E-Rate Modernization Order where the FCC sought to simplify the program as it will create significant unnecessary burdens for both applicants and USAC.

7. AAD recommends that "The Beneficiaries must also familiarize itself with the FCC Rules governing the invoicing process to ensure billing aligns with both the Service Provider contract and FCC Form 471." (emphasis added) It is completely unclear what fact or event led to this recommendation. CENIC was not asked to demonstrate its level of understanding of FCC rules related to the invoicing process, billings, contracts, and FCC Form 471. CENIC, in fact, has a rigorous reconciliation process, conducted on a quarterly basis, to verify that services delivered and eligible for discount align to the contract, the approved funding request, and the actual discounts received. Unless AAD can better define the specific deficiency it identified related to FCC rules governing the invoicing process, CENIC has no understanding of what must be remediated.

Due to the reasons identified, CENIC reiterates its request that this other matter be removed or that FRNs 2399031705, 2399031616, 2399031766, and 2399031803 be removed from this other matter.

AAD RESPONSE

In its response, CENIC disagrees with the other matter. As stated in the Executive Summary, AAD's examination did not disclose any areas of non-compliance, but rather a condition that warrants the attention of USAC Management. AAD revised the word under the Effect section as "other matter." AAD clarified that per

the USAC website,[3] and consistent with the FCC Form 500 Instructions, the purposes of the FCC Form 500 include canceling or reducing the amount of an FRN. For funding years after 2016, this process is completed in the E-Rate Productivity Center (EPC) rather than by submitting a physical FCC Form 500. Although the process changed, the instructions for completing the FCC Form 500 did not. AAD acknowledges that CENIC submitted an FCC Form 500 to cancel FRNs 2399031766 and 2399031803 on September 30, 2025, subsequent to receiving the Audit Results Summary on April 23, 2025. However, CENIC should have informed USAC once it became aware that it would not be utilizing the USAC funding after its state funding was denied. Therefore, AAD's determination remains unchanged.

Other Matter #2: *First 2014 E-Rate Order*, FCC 14-99, para. 235 – Service Provider Billed the Selected Beneficiaries for the Discounted Share of Costs While Using the Service Provider Invoice (SPI) Method

CONDITION

AAD obtained and examined the Service Provider bills to determine whether the Service Provider only billed the selected beneficiaries 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 selected beneficiaries elected to receive E-Rate reimbursement from USAC for the following FRNs using the SPI method[4] at the following discount rates:

FRN	Discount
2399031809	94%

Under the SPI method, service providers bill beneficiaries only for the non-discounted share of costs for eligible equipment and services (and for any ineligible equipment and services), and invoice USAC for the remaining discounted share of costs for eligible equipment and services. Thus, under the SPI method, beneficiaries are responsible for paying service providers only for the non-discounted share of costs (plus the costs of any ineligible equipment and services), and the service provider is required to invoice USAC for the discounted share of costs of eligible equipment and services in order to receive payment.[5] However, in this case, the Service Provider instead billed the selected beneficiaries for the *full pre-discount costs* of the eligible equipment and/or services for the FRNs listed in the table above, rather than only the their non-discounted share of the costs (plus the costs of any ineligible equipment and services). After the Service Provider received reimbursement for the discounted share of the costs from USAC, it reimbursed the selected beneficiaries by issuing a check.

---

[3] Universal Service Administrative Company (USAC)] E-Rate] Applicant Process] Before You're Done] FCC Form 500 Filing, https://www.usac.org/e-rate/applicant-process/before-youre-done/fcc-form-500-filing/ (last visited July 1, 2026).

[4] *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*); 47 C.F.R. § 54.514(c) (2021); 47 C.F.R. § 54.504(f)(5) (2022).

[5] *Id.*

CAUSE

The Service Provider did not have adequate controls and procedures in place to ensure compliance with FCC Rules. For the purpose of having a clear record of payments and E-Rate reimbursements as it relates to special construction projects, the selected beneficiaries chose to pay the full eligible cost of service to the Service Provider and receive the E-Rate reimbursement in the form of a check.[6]

EFFECT

As a result of the above-described improper use of the SPI method, the Service Provider charged and collected more than the beneficiaries' non-discounted portion of costs of the eligible equipment and services during the period at issue. However, there is no monetary effect since the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the selected beneficiaries' subsequent bills. AAD notes that by selecting reimbursement through the SPI method, the selected beneficiaries were only required to pay the Service Provider the non-discounted portion of the costs of eligible equipment and services. Requiring the selected beneficiaries to 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.[7] 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.[8]

RECOMMENDATION

The Service Provider must implement policies, controls, and procedures to obtain and process FRN funding details so that it can apply billing discounts on a timely basis and ensure that beneficiaries who select invoicing through the SPI 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 Provider should familiarize itself 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/.

SERVICE PROVIDER RESPONSE

CVIN, LLC ("CVIN" or the "Service Provider") appreciates the opportunity to respond to the matters identified by AAD and respectfully notes that the issue identified did not result in any financial loss to the E-Rate program, any overbilling to USAC, or any improper retention of E-Rate funds by the Service Provider.

As acknowledged in the report, the Beneficiary ultimately received the full benefit of the applicable E-Rate discounts through reimbursements and credits issued by the Service Provider following receipt

---

[6] Beneficiary response to Audit Result Summary received May 8, 2025.

[7] *See First 2014 E-Rate Order*, FCC 14-99, at paras. 234-235; *Second Report and Order*, FCC 03-101, at paras. 46-47 and *First Universal Service Order*, FCC 97-157, para. 586.

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

of SPI reimbursements from USAC. At no time did the Service Provider retain amounts in excess of the Beneficiary's required non-discounted share.

The billing approach identified by AAD occurred in connection with certain special construction projects where the Beneficiary elected, for administrative and accounting purposes, to initially pay the full invoiced amount and subsequently receive reimbursement of the discounted share after USAC payment processing was completed. The process was implemented to maintain a clear accounting and audit trail for large special construction projects involving multiple funding and reimbursement sources.

CVIN appreciates the clarification provided by AAD regarding the operational application of the SPI invoicing requirements and appreciates the guidance provided in the audit report. CVIN notes that the issue identified relates solely to the timing and structure of the billing process rather than any improper invoicing to USAC or misuse of E-Rate support funds.
Importantly:

- All services invoiced were eligible E-Rate services;
- All services were delivered to eligible entities;
- The Beneficiary ultimately received the full benefit of the approved discounts;
- No duplicate reimbursement occurred;
- No improper disbursement from the E-Rate program occurred; and
- AAD identified no monetary recovery or commitment adjustment associated with this matter.

Since the audit review, CVIN has worked collaboratively with the Beneficiary to revise the billing methodology utilized for future non-recurring cost ("NRC") billing associated with these projects. The Beneficiary has elected to utilize the BEAR reimbursement method for future NRC-related E-Rate funding requests rather than the SPI method. This approach better aligns with the administrative and reimbursement requirements associated with the California Broadband Infrastructure Grant ("BIG") program and allows the Beneficiary to directly seek reimbursement from USAC in a manner that more closely aligns with both BIG program administrative requirements and E-Rate invoicing procedures.

Additionally, CVIN has reviewed and enhanced its internal E-Rate billing procedures to ensure that future SPI-related billing activity aligns with the invoicing methodology described in the FCC Rules and related USAC guidance. CVIN will continue implementing additional controls and staff training to ensure that Beneficiaries electing the SPI method are invoiced only for the applicable non-discounted share of eligible services going forward.

CVIN appreciates the professionalism and cooperation of AAD staff throughout the audit process and remains committed to continued compliance with all applicable FCC and USAC E-Rate program requirements.

CRITERIA

Other Matter	Criteria	Description
#1	FCC Form 500 Instructions, at 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 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) - To reduce irrevocably the amount of a Funding Request Number (FRN)
#1	FCC Form 500 instructions – Block C, Item (10)	Item (10) - Reduce FRN: Use this row if you wish to report to us lower costs, perhaps because you will obtain fewer products or services or partially cancel an FRN, such as a cancellation part way through the funding year or, if permissible, deciding not to purchase all of the equipment originally sought. This action is irrevocable; the post-reduction amount may not be increased at a later date. Enter the FCC Form 471 application number and the FRN and write in the Original Commitment Amount as shown on your FCDL. Enter the New Commitment Amount AFTER Reduction. Reducing a Category One commitment allows money to be put back in the Universal Service fund for possible commitment to other applicants. It is important to discuss reduction with your service provider so that prompt action can be taken to avoid inappropriate payments (or discounts) being made.
#2	*Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, paras. 234, n.567; 235 (2014) (*First 2014* E-Rate Order).	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

Other Matter	Criteria	Description
		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.
#2	*Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, FCC 97-157, para. 586 (1997) (*First Universal Service Order*)	[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.
#2	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Second Report and Order and Further Notice of Proposed Rulemaking, 18 Rcd 9202, 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.
#2	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.
#2	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

Other Matter	Criteria	Description
		equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.
#2	Service Provider Invoice (SPI) Form Certification, FCC Form 474, Block 3	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.

Attachment J

SL2024SP021

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

TOP COMMUNICATIONS INC.

COMPLIANCE WITH THE FEDERAL SCHOOLS AND LIBRARIES UNIVERSAL SERVICE SUPPORT MECHANISM (E-RATE) RULES

USAC AUDIT NO. SL2024SP021

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

CONTENTS

EXECUTIVE SUMMARY **1**

AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION **2**

USAC MANAGEMENT RESPONSE **2**

PURPOSE, BACKGROUND, SCOPE, AND PROCEDURES **3**

DETAILED OTHER MATTER **5**

Other Matter, 47 C.F.R. § 54.504(a)(1)(ix) (2021) and *Ysleta Order* – Process Improvement Needed for Beneficiaries To Demonstrate They Selected the Most Cost-Effective Service Offering **5**

Service Provider Response 8

Beneficiary Responses 8

Beth Chana School Response to Other Matter: 8

Congregation Ohr Menachem Response to Other Matter: 8

Step Special Torah Education Program Response to Other Matter 10

Congregation Yeshiva Beis Chaya Mushka Inc. Response to Other Matter: 12

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

SIKICH.COM

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

Executive Summary

August 12, 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 Top Communications Inc. (Service Provider), Service Provider Identification Number (SPIN) 143052015, for Funding Year (FY) 2022, using regulations set forth in 47 C.F.R. Part 54 and orders and other program requirements governing the federal Schools and Libraries Universal Service Support Mechanism (also known as E-Rate program), (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 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, 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 New York (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 audit disclosed an other matter discussed in the Audit Result and Commitment Adjustment/Recovery Action section pertaining to the selected

[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").

Beneficiaries. For the purpose of this report, an "other matter" is a condition that does not necessarily constitute a rule violation but warrants the selected Beneficiaries' and USAC Management's attention. 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. Additionally, our audit procedures were limited to the objectives, scope, sample selections, and procedures described in this report. We do not express an opinion or provide assurance regarding compliance for transactions, funding requests, beneficiaries, periods, or activities not subjected to our audit procedures. Accordingly, other instances of noncompliance may exist that were not identified during this audit.

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, the selected Beneficiaries, 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 Result and Commitment Adjustment/Recovery Action

Based on the test work performed, we identified an other matter that warrants the attention of the selected Beneficiaries, and USAC Management. We have summarized this other matter below.

Audit Results	Monetary Effect	USAC Recovery Action
Other Matter, 47 C.F.R. § 54.504(a)(1)(ix) (2021) and *Ysleta Order* – Process Improvement Needed for Beneficiaries To Demonstrate They Selected the Most Cost-Effective Service Offering. The selected Beneficiaries did not demonstrate they selected the most cost-effective offering after receiving only one bid, resulting in the selection of services at costs 1.81 times higher than the market average.	$0	$0
Total Net Monetary Effect	**$0**	**$0**

USAC Management Response

USAC Management concurs with the audit results. In addition, USAC Management will conduct outreach to the selected Beneficiaries to address the areas of deficiency identified below in the audit report.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with the FCC Rules. The Service Provider provides internet access to customers in New York, and is located in Brooklyn, New York.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for FY 2022 as of March 27, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	$265,770	$239,220
Total	**$265,770**	**$239,220**

The committed total represents five FCC Form 471, *Description of Services Ordered and Certification Form,* applications with five Funding Request Numbers (FRNs). We selected four[2] of the five FRNs, which represent $239,220 of the funds committed and $239,220 of the funds disbursed during the audit period, for our sample and performed the procedures below with respect to FY 2022 applications submitted by the selected Beneficiaries.

A. Eligibility Process

We obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. We conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to determine whether controls exist to ensure services were eligible, delivered, and installed in accordance with the FCC Rules. We conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries' FCC Form 470s, *Description of Services Requested and Certification Form*. We also reviewed the Service Provider's FCC Form 473s, *Service Provider Annual Certification Form*, and FCC Form 498s, *Service Provider and Billed Entity Identification Number and Contact Information Form*, to determine whether the forms were complete and accurate.

B. Competitive Bidding Process

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

[2]Our sample included FRNs 2299057191, 2299049809, 2299057560, and 2299058009.

residential customers similarly situated to those Beneficiaries. Additionally, at USAC's request we performed additional procedures beyond the original audit scope to assess whether the Service Provider's prices were reasonable and complied with FCC Rules regarding lowest corresponding price.

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

D. Site Visits

We performed a physical inspection at each of the four Beneficiary locations to confirm the location and use of services and to determine whether the services were located in eligible facilities. Additionally, we performed an inspection of the Service Provider's registered address in Brooklyn, New York to verify the existence of the entity.

E. Reimbursement Process

We obtained and examined the SPI Forms submitted for reimbursement for the services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was properly invoiced. We reviewed Service Provider bills associated with the SPI Forms for 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 Other Matter

Other Matter, 47 C.F.R. § 54.504(a)(1)(ix) (2021) and *Ysleta Order* – Process Improvement Needed for Beneficiaries To Demonstrate They Selected the Most Cost-Effective Service Offering

Condition

While performing testing to confirm that the Service Provider offered the selected Beneficiaries[3] the lowest corresponding price,[4] we noted that the Service Provider was the only bid three of the four selected Beneficiaries received. Accordingly, based on conversations with USAC, we performed testing to determine whether the costs the Service Provider invoiced to the selected Beneficiaries were higher than the cost of similar services provided to E-Rate recipients within New York and the surrounding geographical region under the sampled FRNs.[5] While the cost of the services were consistent among the selected Beneficiaries, the average monthly service costs charged by the Service Provider to the selected Beneficiaries were 65 to 91 percent higher than the market costs for the same or similar services funded by USAC in similar geographic areas[6] for each of the sampled FRNs, as summarized in Tables 1, 2, and 3 below.

Table 1: Cost Comparison - Analysis for New York

FRN	Data Transmission and/or Internet Access Service	Service Provider Monthly Eligible Cost Charged [A]	Monthly New York Average Cost [B]	Percent Higher [C=[A-B]/B]
2299057191	Fiber Ethernet – 2 Gbps	$4,450	$2,695	65%
2299049809	Fiber Ethernet – 2 Gbps	$4,425	$2,695	64%
2299057560	Fiber Ethernet – 2 Gbps	$4,425	$2,695	64%
2299058009	Fiber Ethernet – 2 Gbps	$4,425	$2,695	64%

[3] The selected Beneficiaries are Beth Chana School (BEN 16022912) FRN 2299057191, Congregation OHR Menachem (BEN 16044231) FRN 2299049809, Congregation Yeshiva Beis Chaya Mushka Inc. (BEN 16027387) FRN 2299058009, and Step Special Torah Education Program (BEN 209474) FRN 2299057560.

[4] *See* 47 C.F.R. § 54.511(b) (2021).

[5] Because three of the four selected Beneficiaries only received a single bid (from this Service Provider) for the sampled services, we reviewed similar services provided to E-Rate recipients for locations within New York and the surrounding region to determine whether the recurring monthly service cost of the 2 Gbps Data Transmission and/or Internet Access services were cost effective.

[6] Data collected by Sikich from other New York State Beneficiaries' funding requests, as well as border locations in New Jersey, Pennsylvania, Massachusetts, Connecticut, and Vermont, for FY 2022 using USAC open data: https://opendata.usac.org/stories/s/gifc-3grz.

Table 2: Cost Comparison - Analysis for Surrounding Areas (Border Locations New Jersey, Pennsylvania, Massachusetts, Connecticut, and Vermont)				
FRN	**Data Transmission and/or Internet Access Service**	**Monthly Eligible Cost Charged [A]**	**Monthly Surrounding Area Average Cost [B]**	**Percent Higher [C=[A-B]/B]**
2299057191	Fiber Ethernet – 2 Gbps	$4,450	$2,334	91%
2299049809	Fiber Ethernet – 2 Gbps	$4,425	$2,334	90%
2299057560	Fiber Ethernet – 2 Gbps	$4,425	$2,334	90%
2299058009	Fiber Ethernet – 2 Gbps	$4,425	$2,334	90%

Table 3: Cost Comparison - Analysis for New York and Surrounding Areas				
FRN	**Data Transmission and/or Internet Access Service**	**Monthly Eligible Cost Charged [A]**	**Monthly New York and Adjacent Locations Average Cost [B]**	**Percent Higher [C=[A-B]/B]**
2299057191	Fiber Ethernet – 2 Gbps	$4,450	$2,455	81%
2299049809	Fiber Ethernet – 2 Gbps	$4,425	$2,455	80%
2299057560	Fiber Ethernet – 2 Gbps	$4,425	$2,455	80%
2299058009	Fiber Ethernet – 2 Gbps	$4,425	$2,455	80%

Additionally, Per the *Ysleta Order*, "Even if an applicant receives only one bid in response to an FCC Form 470 and/or RFP, it is not exempt from our [FCC] requirement that applicants select cost-effective services… [and] there may be situations, however, where the price of services is so exorbitant that it cannot, on its face, be cost-effective." [7] While the monthly service costs of 1.81 times did not reach the 2 to 3 times threshold for cost-effectiveness for Funding Year 2022, there is a risk that the threshold will be reached in subsequent funding years.

Cause

The selected Beneficiaries did not demonstrate sufficient knowledge of the FCC Rules regarding the competitive bidding process and selecting the most cost-effective service offering.

Specifically, during our on-site visit, we conducted inquiries of the selected Beneficiaries and noted that two of the selected Beneficiaries, Beth Chana School (16022912), and Congregation Yeshiva Beis Chaya Mushka Inc. (16027387) stated that they received responses to the RFPs from various Service Providers and noted that TCI was the most competitive bid response; however, the Beneficiaries did not provide the names of the Service Providers who provided bids nor did they disclose the timing of when the bids were received. Beth Chana School indicated it

[7] *Requests For Review of Decisions of the Universal Service Administrator by Ysleta Independent School District*, CC Docket No. 96-45, Order, 18 FCC Rcd. 26407, 26431-32, FCC 03-313, para. 54 (2003) (*Ysleta Order*) (Noting that "a cost of 2 to 3 times greater than the prices available from commercial vendors would not be cost effective, absent extenuating circumstances.").

receives referrals to Service Providers from different schools within the same geographical region and that that many of the schools in the area are part of a shared email communication that discusses and recommends Service Providers in the area; however it did not provide additional information or documentation about its referral process and its relation to the Competitive Bidding window and/or process. Congregation Yeshiva Beis Chaya Mushka Inc. indicated schools within the community discuss the services received from various Service Providers to determine if services provided to other schools could also provide a benefit to their school; however it did not provide additional information or documentation about the shared email communication process and its relation to the Competitive Bidding window and/or process.

Further, we noted that Service Providers did not respond to the selected Beneficiaries' Form 471s. Specifically, because the FCC Forms 471 for three of the four sampled FRNs indicated the selected Beneficiaries received one bid, we sent inquiries to 15 other E-Rate Service Providers, within the same geographical region as TCI and the selected Beneficiaries, to determine whether other Service Providers submitted bids for the requested services. Ten of the Service Providers responded that they did not submit a bid to provide the selected services, with one specifically indicating it did not submit responses based on its previous experience with similar Beneficiaries being unsuccessful.

Effect

There is no monetary effect for this other matter as Beneficiaries are responsible for validating the cost-effectiveness of services.[8] However, because there is a high risk that the Service Provider's Beneficiaries may not be complying with the FCC Rules, we are noting an other matter for USAC Management's and the selected Beneficiaries' consideration.

Recommendations

We recommend that USAC Management require:

1. The selected Beneficiaries to review their competitive bidding policies, controls, and procedures to ensure they are designed to evaluate whether requested services are cost effective when a single bid is received or to conduct additional research and contact potential service providers when the services do not appear to be cost effective. The Beneficiaries should visit USAC's E-Rate program training materials available on the USAC website at https://www.usac.org/e-rate/learn/ to understand FCC compliance requirements; and

2. The selected Beneficiaries provide training to appropriate personnel on competitive bidding and cost-effectiveness practices surrounding USAC's E-Rate program.[9]

[8] 47 C.F.R. § 54.503(a)(1)(ix) (2021).

[9] USAC, E-Rate| Applicant Process | Step 3: Select Service Providers, https://www.usac.org/e-rate/applicant-process/selecting-service-providers/ (last visited July 21, 2025) ("If you received only one bid, the bid must still comply with the cost-effective requirement. If you receive only one bid and determine that it is cost-effective, you should memorialize that fact with a memo or email for your records.").

Service Provider Response

While the Beneficiary is responsible for selecting cost-effective services during their competitive bidding process,[10] we inquired with the Service Provider about their pricing to gain a better understanding of its pricing model. The Service Provider stated, "*There is no E-rate rule requiring the pricing of services be at an "average" or below an "average" price point. The E-rate program does not have a rate methodology…Instead, pricing is set through a competitive bidding process. The winner of the competitive bidding process—as long as price was the primary factor—is, by definition, the most cost-effective vendor for the service. That being said, we do not believe the rates you have provided are for comparable services. Many of the FRNs you have selected are in different geographic areas. Many are likely for a "best efforts" service instead of a dedicated connection. And most importantly, it is likely that many of the less expensive ones are for a multi-year term, not a one-year term, as is the case here. Companies can and do offer lower pricing when there is a longer service term…If an applicant is willing to sign a multi-year contract, the applicant is going to get a less expensive price. Top Communications, of course, does not control what services applicants request."* [11]

Beneficiary Responses

Beth Chana School Response to Other Matter:

Beneficiary Response – FRN 2299057191

We did not receive a response from the Beneficiary related to the other matter outlined within this report. Specifically, we sent the other matter to Beth Chana on August 4, 2025, and requested its formal response. Throughout the month of August 2025, we sent additional follow-up inquiries to the Beneficiary in an attempt to obtain its formal response, but did not receive a response.

Congregation Ohr Menachem Response to Other Matter:

Beneficiary Response – FRN 2299049809

The FRN under review (2299049809) pertains to a specialized data transmission circuit procured to meet the Beneficiary's specific operational requirements. This service is not a best-effort broadband connection, nor is it a standard multi-year dedicated internet service. It provides guaranteed bandwidth, dedicated point-to-point capacity, and service level commitments essential for mission-critical operations.

The "average market cost" figures cited in the audit are not directly comparable for the following reasons:

[10] 47 C.F.R. §54.504(a)(1)(ix) (2021).

[11] On June 11, 2024, Sikich sent an inquiry, through email, to the Service Provider requesting an explanation for the substantially higher monthly recurring costs associated with their services.

1. Service Type Mismatch

The referenced dataset includes services materially different from the FRN at issue. The FCC has held that cost reasonableness must be based on "functionally equivalent" services.
- Request for Review by Henrico County Public Schools, DA 11-1991, ¶ 7 (WCB 2011): comparisons must involve functionally equivalent services.
- Request for Review by Academy of Excellence, 25 FCC Rcd 13696 (WCB 2010): price differences are not dispositive unless services are equivalent in scope and quality.

2. Contract Term Impact

The FRN covers a one-year term, which inherently produces higher monthly rates because non-recurring costs cannot be amortized over several years and providers do not extend the same concessions as for multi-year contracts.
- Requests for Waiver and Review by Reynolds School District, DA 10-1322 (WCB 2010): differences in contract terms are a legitimate basis for price differentials and must be factored into cost-effectiveness analyses.

3. Geographic and Market Differences

The "New York and adjacent locations" benchmark aggregates markets with diverse infrastructure, competitive conditions, and cost structures. The FCC has acknowledged that local market factors must be considered when assessing the Lowest Corresponding Price.
- Adams County School District 14, DA 19-614 (WCB 2019): local conditions and specific service availability impact pricing and should be accounted for in comparisons.

4. Compliance with FCC Competitive Bidding Rules

The procurement complied with 47 C.F.R. §§ 54.503, 54.504, and 54.511, with price as the primary factor. Only one bid was received, but it fully met the technical, contractual, and performance needs of the Beneficiary. The FCC's Ysleta Order (FCC 03-313, ¶ 54) confirms that even single-bid awards can be cost-effective when compliant with competitive bidding requirements.

5. Inappropriate and Biased Remarks

The Beneficiary finds it wholly inappropriate and unacceptable that the audit narrative included the following statement:

"One Service Provider indicated it did not submit responses because, based on previous experience with similar Jewish Beneficiaries, the Jewish Beneficiaries are typically only open to vendors with shared beliefs and cultural backgrounds."

This remark is irrelevant to any legitimate cost-effectiveness analysis, introduces bias into the audit record, and risks fostering discriminatory assumptions in a regulatory context. The FCC and USAC's processes must remain free from prejudicial characterizations about religious or cultural communities. These comments should be formally disregarded in any compliance evaluation and removed from the final report to maintain the integrity and impartiality of the audit process. The 81% variance cited is attributable to differences in service type, contract term, and market factors— not to excessive pricing or non-compliance. The FRN 2299049809

contract was and remains cost-effective and compliant with all FCC program rules, and it cannot be meaningfully compared to the lower-priced, materially different services referenced in the audit.

Step Special Torah Education Program Response to Other Matter
Beneficiary Response – FRN #2299057560
To: USAC Audit Team
Re: USAC Audit No. SL2024SP021 – Step Special Torah Education Program

We appreciate the opportunity to respond to the draft audit report regarding FRN #2299057560. After reviewing the report and our application documentation, we believe certain technical and service-specific details were not adequately considered in the cost-comparison analysis. These omissions affect the accuracy of the conclusions regarding cost-effectiveness.

1. Service Type as Filed on FCC Form 471
Our FCC Form 471 (Application #221038549) clearly describes FRN #2299057560 as follows:

Funding Request Nickname: Top DL 2022
Narrative: Distance Learning eCircuit Multi Channel 2GIG
Monthly Eligible Recurring Cost: $4,425.00
Bandwidth: 2.0 Gbps (symmetrical)
Service Type: Data Transmission and/or Internet Access
Function: Fiber – Ethernet
Connection Information: Direct connection to a single school, no firewall services included.

This description confirms the service is a specialized data transmission circuit engineered for distance learning purposes, not a generic Internet access circuit.[1]

2. Distance Learning Circuit – Technical Definition and Distinction
A distance learning circuit is a private, carrier-provisioned data transmission link connecting eligible locations for real-time educational use, including multi-channel video and audio instruction. Unlike dedicated Internet access, this circuit does not traverse the public Internet and includes Quality of Service (QoS) and low-latency guarantees for synchronous classroom activities.[2]

Key differences from dedicated Internet access include:
- Private Layer 2 or Layer 1 path between locations.
- End-to-end QoS for real-time video and audio.
- Isolation from public Internet congestion and security risks.
- Multi-channel capability for simultaneous distance learning sessions.

3. Inappropriate Price Benchmarking in Draft Audit
The draft audit report compares our $4,425/month service cost to an average monthly cost of $2,455 for "similar services" in New York and adjacent regions. Based on the report's

description, the comparison pool appears to include generic dedicated Internet access and best effort data services, which are fundamentally different from a dedicated, multi-channel, low-latency distance learning circuit.

This comparison is not valid because:
- Dedicated Internet access is a commodity service with lower costs due to high-volume demand.
- Private data transmission circuits for distance learning are niche, engineered services with higher per-unit costs.
- The correct benchmark should be other 2 Gbps private transport circuits (e.g., Ethernet Private Line, EVPL, wavelength services) offered by carriers such as Verizon, AT&T, or Lumen.[3][4]

4. Market Price Context for Comparable Services
Published carrier rate guides show that Verizon's Ethernet Private Line (EPL-National) service in the 2020–2022 timeframe priced 2 Gbps private transport circuits at approximately $78,000/month plus per-mile charges.[3] Even metro-only private transport links often exceed $5,000/month at this bandwidth.

Our $4,425/month rate is significantly below these benchmarks, indicating the service was procured at a competitive and reasonable cost given its technical requirements.

Conclusion and Request for Adjustment
Given the specialized nature of the FRN #2299057560 service, the comparison in the draft audit report does not reflect true market parity. We respectfully request that the final audit analysis:
1. Recognize the FRN as a dedicated distance learning circuit (data transmission service) and not generic Internet access.
2. Use like-for-like market benchmarks (private transport circuits) in cost-effectiveness analysis.
3. Update the comparative pricing section to reflect appropriate service types.

We believe that with these adjustments, the audit will more accurately represent the competitiveness and cost-effectiveness of the service procured.

Competitive Bidding Compliance and Internal Process
In advance of this funding request, the school took appropriate steps to ensure compliance with FCC competitive bidding requirements. Staff with relevant administrative and technical roles met to define the school's needs and specifications. Following this, FCC Form 470 was filed to formally open the bidding process. The school created an internal bid evaluation matrix, with price designated as the most heavily weighted factor, in accordance with E-Rate program rules. Although only one bid was received in response, the process was open and publicly posted for the required 28-day period, giving all qualified vendors the opportunity to respond. To validate cost-effectiveness, the school conducted a market review of published rates for comparable high-bandwidth data transmission circuits and determined that the received bid was significantly below market rates for similarly engineered services. Based on this analysis, the service was deemed cost-effective and fully compliant with FCC rules. After the 28-day window closed, a contract was signed, and FCC Form 471 was filed accordingly. Therefore, we refute the assertion that there is a high risk the beneficiary may not be complying with the FCC Rules.

References
[1] FCC Form 471 Application #221038549, FRN #2299057560 – Narrative description "Distance Learning eCircuit Multi Channel 2GIG".

[2] USAC Eligible Services List 2022 – Definition of Data Transmission Services.

[3] Verizon Communications, Service Guide – Ethernet Private Line (EPL-National) Rates & Charges, 2020–2022.

[4] AT&T Business, Switched Ethernet and Optical Transport Service Product Briefs.

Congregation Yeshiva Beis Chaya Mushka Inc. Response to Other Matter:
Beneficiary Response – FRN 2299058009
The FRN under review (2299058009) pertains to a dedicated point-to-point data transmission service. This is a specialized configuration designed to meet specific operational requirements, including fixed routing, guaranteed throughput, and defined service level agreements. As such, it is not comparable to "best efforts" broadband or standard dedicated internet circuits reflected in the general market averages referenced in the draft report.

1. Service Comparability
The FCC has made clear that price reasonableness must be determined against "functionally equivalent" services. In Request for Review by Henrico County Public Schools, DA 11-1991, ¶ 7 (WCB 2011), and Request for Review by Academy of Excellence, 25 FCC Rcd 13696 (WCB 2010), the Bureau found that price comparisons must be based on equivalent scope and quality. Here, the cited averages appear to include services that differ materially in architecture, capacity, and performance, and therefore are not an appropriate benchmark.

2. Contract Term Impact
This FRN reflects a one-year term. The FCC has recognized that shorter terms generally carry higher monthly rates due to the inability to amortize non-recurring construction or provisioning costs and the absence of long-term pricing concessions. See Requests for Waiver and Review by Reynolds School District, DA 10-1322 (WCB 2010). Comparing a one-year rate to multi-year pricing is not a like-for-like evaluation.

3. Audit Questioning Context
During the on-site portion of the audit, the pricing and competitive bidding questions posed by the auditor were framed in the context of a dedicated internet circuit. At no point was it communicated that these questions were intended to address the data transmission circuit associated with FRN 2299058009. The responses provided at that time were accurate for the service type being discussed.

For the FRN in question, the record is consistent with FCC Form 471: only one bid was received and evaluated, with price as the primary factor, in compliance with 47 C.F.R. §§ 54.503, 54.504, and 54.511.

4. Compliance with FCC Bidding Rules

The procurement for FRN 2299058009 was conducted fully in accordance with FCC competitive bidding rules. Only one bid was received in response to the FCC Form 470 posting. Prior to award, the Beneficiary conducted market research to evaluate the reasonableness of the proposed pricing against available market data for functionally equivalent services. This analysis determined that then selected proposal was cost-effective for the required specifications and term. Records of this market research and the bid evaluation have been retained in compliance with FCC recordkeeping requirements.

Conclusion

When considered in the correct context — including service type, contract term, and the nature of the questioning during the on-site audit — the cited price variance does not indicate noncompliance or failure to obtain a cost-effective service. It reflects legitimate market realities and procurement decisions consistent with FCC rules and precedent.

Auditor Response

Although we agree with the Service Provider's response that there is no E-Rate requirement that services be priced at or below an average market rate, we noted an other matter (as opposed to a finding of non-compliance) because our analyses indicated that the monthly costs charged to the selected Beneficiaries exceeded comparable pricing benchmarks and approached the cost-effectiveness concerns identified in the Ysleta Order. Therefore, we believe there is a risk that the 2 to 3 times cost-effectiveness threshold discussed in the Ysleta Order could be reached under similar circumstances in subsequent funding years.

However, based on the Beneficiaries' and Service Provider's responses, we clarified that an E-Rate Service Provider, within the same geographical region as Top Communications Inc. and the selected Beneficiaries, communicated during the audit that it did not submit a bid to provide the selected services due to barriers it previously experienced with similar beneficiaries. Additionally, we modified the Condition to include two additional tables to support how we arrived at our overall comparison in Table 3 above.

We did not modify the Cause, Effect, or Recommendations based on the Beneficiaries' or the Service Provider's responses. Specifically, although the Beneficiaries and Service Provider asserted that the comparison population did not fully account for differences in service type (dedicated vs. best efforts service), geographic location, and contract terms (one-year vs. multi-year contracts), we considered these factors during our analysis by performing separate comparisons using New York-only data, surrounding-state data, and combined regional data; using service characteristics reported on the FCC Forms 471 to identify comparable services; and reviewing available contract-term information and other relevant data available through USAC's Open Data Platform, recognizing that complete contract-term information was not available for all comparison records. We also took into consideration the market pricing for similar services by performing online research and comparing the results to the monthly service costs charged by the Service Provider. Although we acknowledge that the sampled FRNs relate to specialized data transmission circuits and that comparisons to other services have inherent limitations, the tables

provided support our analysis of the cost of Fiber Ethernet – 2 Gbps services in New York and bordering states. Therefore, we made no changes to the Cause, Effect, or Recommendations.

Criteria

Criteria	Description
47 C.F.R. § 54.503(a)(2021)	*All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.* *Note to paragraph (a):* *The following is an illustrative list of activities or behaviors that would not result in a fair and open competitive bidding process: the applicant for supported services has a relationship with a service provider that would unfairly influence the outcome of a competition or would furnish the service provider with inside information; someone other than the applicant or an authorized representative of the applicant prepares, signs, and submits the FCC Form 470 and certification; a service provider representative is listed as the FCC Form 470 contact person and allows that service provider to participate in the competitive bidding process; the service provider prepares the applicant's FCC Form 470 or participates in the bid evaluation or vendor selection process in any way; the applicant turns over to a service provider the responsibility for ensuring a fair and open competitive bidding process; an applicant employee with a role in the service provider selection process also has an ownership interest in the service provider seeking to participate in the competitive bidding process; and the applicant's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids.*
47 C.F.R. § 54.504(a)(1)(ix) (2021)	*Except as exempted by § 54.503(e), all bids submitted to a school, library, or consortium seeking eligible services were carefully considered and the most cost-effective bid was selected in accordance with § 54.503 of this subpart, with price being the primary factor considered, and it is the most cost-effective means of meeting educational needs and technology goals.*
47 C.F.R. § 54.511(b)(2021)	*Providers of eligible services shall not submit bids for or charge schools, school districts, libraries, library consortia, or consortia including any of these entities a price above the lowest corresponding price for supported services, unless the Commission, with respect to interstate services or the state commission with*

Criteria	Description
	respect to intrastate services, finds that the lowest corresponding price is not compensatory.
Requests For Review of Decisions of the Universal Service Administrator by Ysleta Independent School District, CC Docket No. 96-45, Order, 18 FCC Rcd. 26407, 26431-32, FCC 03-313 para. 54 (2003) (*Ysleta Order*)	*Even if an applicant receives only one bid in response to an FCC Form 470 and/or RFP, it is not exempt from our requirement that applicants select cost-effective services. The Commission has not, to date, enunciated bright-line standards for determining when particular services are priced so high as to be considered not cost-effective under our rules. There may be situations, however, where the price of services is so exorbitant that it cannot, on its face, be cost-effective. For instance, a proposal to sell routers at prices two or three times greater than the prices available from commercial vendors would not be cost effective, absent extenuating circumstances. We caution applicants and service providers that we will enforce our rules governing cost-effectiveness in order to limit waste in the program.*

Sikich CPA LLC

This concludes the report.