



Schools and Libraries Committee

Audit Briefing Book

Monday, January 26, 2026

Available For Public Use

Universal Service Administrative Company

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

Washington, D.C. 20005

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

| Entity Name | Number of Findings | Significant Findings | Amount of Support | Monetary Effect* | USAC Management Recovery Action* | Commitment Adjustment | Entity Disagreement |
|---|--------------------|---|-------------------|------------------|----------------------------------|-----------------------|---------------------|
| Attachment A Illinois Department of Innovation and Technology | 6 | <ul style="list-style-type: none"> Service Provider Invoiced the E-Rate Program for Locations and Services Not Requested. Two of the Beneficiary's service providers invoiced the E-Rate program for locations and services that the Beneficiary did not include on its FCC Form 471. | \$4,406,103 | \$122,328 | \$120,823 | \$0 | N |
| Attachment B Kipp Nashville District | 1 | <ul style="list-style-type: none"> Service Provider Invoiced the E-Rate Program for Locations and Services Not Requested. The Beneficiary's service provider invoiced the E-Rate program for internet access services that the Beneficiary did not include on its FCC Form 471. | \$233,611 | \$233,362 | \$68,081 | \$0 | Partial |
| Attachment C Benton County School District | 1 | <ul style="list-style-type: none"> No significant findings. | \$178,650 | \$1,997 | \$1,997 | \$0 | Y |

| Entity Name | Number of Findings | Significant Findings | Amount of Support | Monetary Effect* | USAC Management Recovery Action* | Commitment Adjustment | Entity Disagreement |
|--|--------------------|----------------------------|---------------------|------------------|----------------------------------|-----------------------|---------------------|
| Attachment D Networking Technologies, LLC | 2 | • No significant findings. | \$2,859,450 | \$342,725 | \$0 | \$0 | Y |
| Attachment E Brazoria County Library System | 2 | • No significant findings. | \$169,306 | \$9,216 | \$4,608 | \$0 | Partial |
| Attachment F Department of Management Services | 0 | • Not applicable. | \$5,919,625 | \$0 | \$0 | \$0 | N/A |
| Total | 12 | | \$13,766,745 | \$709,628 | \$195,509 | \$0 | |

* The USAC Management Recovery Action may be less than the Monetary Effect as the circumstances did not warrant a recovery of funds (i.e., the Beneficiary's equipment was installed or service provider reimbursed the E-Rate program prior to audit completion).

INFO Item: Audit Released September 2025
Attachment A
1/26/2026

Attachment A

SL2023LR030

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

ILLINOIS DEPARTMENT OF INNOVATION AND TECHNOLOGY

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

USAC AUDIT No. SL2023LR030



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
ILLINOIS DEPARTMENT OF INNOVATION AND TECHNOLOGY
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

March 26, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “we”) audited the compliance of the Illinois Department of Innovation and Technology (Beneficiary), Billed Entity Number (BEN) 17022359, using the regulations set forth in 47 C.F.R. Part 54 and orders and other program requirements governing the federal Universal Service E-Rate program (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on our audit.

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

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

Based on the test work performed, our audit disclosed six 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 the FCC Rules that were in effect during the audit period. An “other matter” is a condition that does not necessarily constitute a violation of the FCC Rules but that warrants the attention of the Beneficiary, its Service Providers, and USAC management.

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

Audit Results and Recovery Action

Based on the test work performed, our audit found that the Beneficiary’s Service Providers did not comply with FCC Rules, as described in the six detailed audit findings and one other matter discussed below.

| Audit Results | Monetary Effect² | Overlapping Recovery³ | Recommended Recovery⁴ |
|--|------------------------------------|---|---|
| Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program for Locations and Services Not Requested. Two of the Beneficiary’s Service Providers invoiced the E-Rate program for locations and services that the Beneficiary did not include on its FCC Form 471. | \$70,695 | \$0 | \$70,695 |
| Finding No. 2, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program for Amounts Not Reconciled to Their Bills. Two of the Beneficiary’s Service Providers invoiced the E-Rate program for | \$18,430 | \$0 | \$18,430 |

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

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

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

| Audit Results | Monetary Effect ² | Overlapping Recovery ³ | Recommended Recovery ⁴ |
|--|------------------------------|-----------------------------------|-----------------------------------|
| amounts that exceeded the eligible charges supported by their bills. | | | |
| Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program for Services Not Provided. Three of the Beneficiary’s Service Providers invoiced the E-Rate program for duplicative charges. | \$17,081 | \$0 | \$17,081 |
| Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Services Funded by Another FRN. One of the Beneficiary’s Service Providers did not use the correct FRN when invoicing the E-Rate program. | \$7,582 | \$0 | \$7,582 |
| Finding No. 5, 47 C.F.R. § 54.507(d) (2020) – Service Provider Invoiced the E-Rate Program for Services Delivered Outside of the Funding Year (FY). One of the Beneficiary’s Service Providers invoiced the E-Rate program for services delivered prior to the start of the FY. | \$7,313 | \$1,505 | \$5,808 |
| Finding No. 6, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program at Monthly Recurring Charges (MRCs) that Exceeded Those Approved for Funding. Two of the Beneficiary’s Service Providers invoiced the E-Rate program for services at MRC amounts that exceeded those in its approved FCC Form 471. | \$1,227 | \$0 | \$1,227 |
| Other Matter No. 1, First 2014 E-Rate Order, FCC 14-99, para. 235 – Service Provider Billed the Beneficiary for the Discounted Share of Costs While Using the SPI Method. Four of the Beneficiary’s Service Providers billed the Beneficiary for the discounted share of service costs under the SPI method. | \$0 | \$0 | \$0 |
| Total Net Monetary Effect | <u>\$122,328</u> | <u>\$1,505</u> | <u>\$120,823</u> |

USAC Management Response

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

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-2023-Invoicing.pdf>. Please see slides 12, 16, 30, and 70.
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: Invoicing, November 09, 2023). Please see timestamps 8:50-11:15, 13:35-14:20, 23:40-26:05, 29:05-30:30, and 56:50-58:40).
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-2023-Invoicing.pdf> (please see slides 51, 52, and 56).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: Invoicing, November 09, 2023). Please see timestamps 42:20-44:55 and 48:10-49:40.

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

| FRN | Recovery Amount |
|--------------|------------------|
| 2199033125 | \$77,514 |
| 2199034874 | \$17,023 |
| 2199039647 | \$20,032 |
| 2199032208 | \$6,254 |
| Total | \$120,823 |

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for FY 2021. The Beneficiary is a consortium located in Springfield, Illinois, that serves more than 387 school districts.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2021 as of February 17, 2023, the date that our audit commenced.

| Service Type | Amount Committed | Amount Disbursed |
|--|--------------------|--------------------|
| Data Transmission and/or Internet Access | \$7,783,121 | \$4,406,103 |
| Total | \$7,783,121 | \$4,406,103 |

The “amount committed” total represents 18 FCC Form 471, *Description of Services Ordered and Certification Form*, applications submitted by the Beneficiary for FY 2021 that resulted in 52 Funding Request Numbers (FRNs). We selected a sample of five of the FRNs,⁵ which represent \$3,765,894 of the funds committed and \$3,043,302 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

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

B. Competitive Bidding Process

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

C. Invoicing Process

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

⁵ Our sample included FRNs 2199032208, 2199033125, 2199033205, 2199034874, and 2199039647.

D. Beneficiary Location

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

E. Reimbursement Process

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

Detailed Audit Findings

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

Condition

Two of the Beneficiary's Service Providers invoiced the E-Rate program for locations and services that the Beneficiary did not include on its FCC Form 471, as follows:

- **Consolidated Communications Enterprise Services, Inc. (Consolidated), FRN 2199033125.** Consolidated invoiced the E-Rate program \$66,702 for the following sites that the Beneficiary did not list as recipients on its FCC Form 471.

| Location | Service | Amount Invoiced |
|-----------------------------------|---------------------|------------------------|
| Litchfield High School | 2 Gbps | \$14,800 |
| Litchfield Pre-K School | 2 Gbps | \$12,000 |
| Vienna High School | 2 Gbps | \$1,200 |
| B.T. Washington Elementary School | 5 Gbps ⁶ | \$38,702 |
| Total | | <u>\$66,702</u> |

- Additionally, the Service Provider invoiced the E-Rate program for EVC WAN+Int Access 1 Gbps service to the Champaign Early Childhood Center at an MRC of \$1,305

⁶ The Service Provider provided 5 Gbps service this site even though the Beneficiary did not request 5 Gbps service for any of the entities on its FCC Form 471.

rather than for 2 Gbps service at an MRC of \$1,200, as requested on its FCC Form 471. The total amount invoiced for the 1 Gbps service was \$16,095.

- **Frontier Communications of America (Frontier), FRN 2199034874.** Frontier invoiced the E-Rate program \$24,317 for the following sites that the Beneficiary did not list as recipients on its FCC Form 471:

| Location | Service | Amount Invoiced |
|---------------------------------|---------|------------------------|
| Carterville Intermediate School | 1 Gbps | \$10,070 |
| Odell Grade School | 1 Gbps | <u>\$14,247</u> |
| Total | | <u>\$24,317</u> |

Cause

The Service Providers did not have procedures in place to ensure that the entities and services they included on their invoices to the E-Rate program were consistent with the entities and services the Beneficiary included in its FCC Form 471 requests.

Effect

The monetary effect of this finding is \$70,695 (\$66,702 plus \$16,095 plus \$24,317, for a total of \$107,114, multiplied by the Beneficiary's 66 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|---|------------------------|------------------------|
| Internet Access and/or Data Transmission FRN 2199033125 | \$54,646 | \$54,646 |
| Internet Access and/or Data Transmission FRN 2199034874 | <u>\$16,049</u> | <u>\$16,049</u> |
| Total | <u>\$70,695</u> | <u>\$70,695</u> |

Recommendations

We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.
2. The Service Providers implement controls and procedures to ensure that invoices only include charges for entities and services that the Beneficiary included in its FCC Form 471 funding requests.
3. The Beneficiary implement procedures to ensure that it includes all services and recipient entities on its Form 471 funding requests.

Service Provider Responses

Consolidated Response

We agree with B.T Washington Elementary. As for the others, the customer advised the following: DoIT consultant, Kim Friends at CSM Consulting is working to add certain of the entities as a recipient of service (e.g. Litchfield Pre-K School). Hence, we would recommend, at this time, holding off on reimbursing USAC until its determined which (and if) the entities can be added back as a recipient of service.

This circuit was on the customer's original documentation which is why it got billed and received erate credit. The reason the mrc was incorrect is because it was later identified that this circuit should have remained billing with Unit 4 schools and has since been moved over to their invoice (both parties agreed). USAC is only seeking reimbursement for the difference in approved mrc. These charges will need to be debited back to the customer and because the circuit was incorrectly documented and validated through USAC the charge back will have to go to Illinois Dept of Innovation.

Frontier Response

- *Carterville – IL DOIT Circuit #72 (WAN) – 1G @ \$1035 – BTN 618-198-0459 (high school billing the termination points) & 618-198-0461 (intermediate location only billing the Ethernet Virtual Connection (EVC)) (should have billed together). This is a Point-to-Point circuit with a connection that is billed at each end and an EVC that determines the priority. Carterville High School is an eligible location for their point of connection; however, Carterville Intermediate is not eligible for their point of connect of the circuit.*
- *Carterville – IL DOIT Circuit #74 (ICN to POP) – 1G @ \$1035 – BTN 618-198-0462*
 - *471 shows Carterville HS on Line Items 1 & 2 @ \$1035 each (this is why we discounted both BTNs)*
- *Odell Grade School – IL DOIT Circuit #442 - Frontier discounted BTN 815-195-0571 in error. Frontier will return \$14247.00 to USAC.*

Beneficiary Response

The Illinois Department of Innovation & Technology (“Department”) concurs with the Beneficiary recommendation in Finding #1. This performance audit examined the Department’s compliance with the E-Rate program requirements for Funding Year 2021. Since that time, the Department’s internal programmatic procedures have matured. The Department now has processes in place to ensure that it includes all entities that will be receiving services as recipients on Form 471 funding requests.

Auditor Response

Consolidated FRN 2199033125. As USAC had not approved Litchfield High School, Litchfield Pre-K School, and Vienna High School as recipients of service for this FRN at the time the Service Provider invoiced the E-Rate program, we made no changes to our audit finding or recommendations. If USAC retroactively approves these schools as recipients, amounts

recommended for recovery should be reduced by the amounts disbursed for services to those locations.

Frontier FRN 2199034874. In response to our audit questions, the Beneficiary explained that it had erred on its FCC Form 471 for this FRN. The Beneficiary stated that Carterville High School had erroneously been listed as a recipient on both lines .001 and .002, and that the line .002 reference should have been to Carterville Intermediate School for 1 Gbps WAN circuit service. However, because Carterville Intermediate School was also not listed as a recipient on the FCC Form 471, we have made no adjustment to our finding or to our recommendation that USAC recover the \$10,070 invoiced to the E-Rate program for the 1 Gbps point-to-point circuit to Carterville Intermediate School. We have, however, updated the name of the location in the finding.

Finding No. 2, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program for Amounts Not Reconciled to Their Bills

Condition

Two of the Beneficiary's Service Providers invoiced the E-Rate program for amounts that exceeded the eligible charges supported by their bills. Specifically, in response to our audit requests, two Service Providers reconciled their SPI Forms to their FY 2021 bills and identified the following over-invoiced amounts:

- **AT&T Corporation (AT&T), FRN 2199039647.** AT&T identified a \$16,876 discrepancy between the \$924,236 it had invoiced to the E-Rate program and the \$907,360 in eligible charges supported by its Service Provider bills.
- **Consolidated, FRN 2199033125.** Consolidated identified an \$11,049 discrepancy between the \$488,567 it had invoiced to the E-Rate program and the \$477,518 in eligible charges supported by its Service Provider bills.

Cause

The Service Providers did not have adequate controls in place to ensure that their invoices to the E-Rate program were supported by eligible charges on their Service Provider bills.

Effect

The monetary effect of this finding is \$18,430 (\$16,876 plus \$11,049, for a total of \$27,925, multiplied by the Beneficiary's 66 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|---|------------------------|------------------------|
| Internet Access and/or Data Transmission FRN 2199039647 | \$11,138 | \$11,138 |
| Internet Access and/or Data Transmission FRN 2199033125 | \$7,292 | \$7,292 |
| Total | <u>\$18,430</u> | <u>\$18,430</u> |

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Providers implement controls to ensure that they only invoice the E-Rate program for eligible amounts supported by their bills.

Service Provider Responses

AT&T Response

For FY 2022, AT&T implemented a manual GRID process as a control to validate all locations approved for funding under a specific FRN/Form 471 to help ensure only approved locations receive E-rate disbursements.

The \$16,876 discrepancy between the \$924,236 invoiced to the E-Rate program and the \$907,360 in the customer's billing was caused by incorrect GRID data provided to AT&T from the customer.

AT&T received the customer's GRID on 03/15/2022 which listed 133 circuits for FRN 2199039647. However, there were only 131 circuits billing. The customer's GRID had two of its circuits repeated in the GRID data. When AT&T discovered the GRID error, AT&T debited the customer's account for the \$11,138.44 incorrect discount, which debit posted to the customer's account on the 06/2023 bill cycle. AT&T returned funds to USAC via ACH 27CBGCVR on 02/29/2024.

Consolidated Response

*In April 2022 it was identified that there were prorate (sic) charges on a previous months invoices that were missed in receiving credit. August 2021 it was documented that "current charges" were \$39,505.95 which is not correct because there are prorate (sic) charges on the invoice in the non-recurring charges section. Although the prorate (sic) charges back date to 2020 a portion of them fall into the 21-22 funding year so they are eligible current charges also. Additional current charges = \$1,809.20 * 66% = \$1,194.07. \$7,292-\$1,194.07=\$6,097.93 is the amount that should be returned to USAC.*

Auditor Response

AT&T FRN 2199039647. Although the Service Provider indicated that it had returned the amount recommended for recovery to USAC, based on information that we obtained from USAC Finance, there were issues with AT&T's repayment of \$11,138.44 for this finding, and AT&T chose to cancel its submission. Because AT&T has not yet repaid the funds, we did not adjust the amount recommended for recovery.

Consolidated FRN 2199033125. We reviewed the August 2021 Consolidated bill for this FRN. The bill contains prorated charges of \$10,720 (11/13/20 – 8/10/21) for a circuit at 601 State Street. The Beneficiary's records indicate that this is the address for Vienna High School which,

as explained in Finding No. 1 of this report, was not included as a recipient on the Beneficiary's FCC Form 471 and is thus not eligible for funding. Accordingly, we did not change our finding and recommendations for this FRN.

Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program for Services Not Provided

Condition

Three of the Beneficiary's Service Providers invoiced the E-Rate program for duplicative charges, as follows:

- **Consolidated, FRN 2199033125.** Consolidated invoiced the E-Rate program for 2 Gbps Internet access service to two sites in Champaign, Illinois (110 N. James Street and 1103 N. Neil Street), for a total of \$29,600 (\$14,800 for each location). The Beneficiary identified both sites as the "Temporary Home of Doctor Howard Elementary School." The City of Champaign's website indicates that the school was temporarily housed at 1103 N. Neil Street for the 2019-2020 school year while the 110 N. James Street location was undergoing construction. As only one location was eligible to receive E-Rate services during FY 2021, we questioned the \$14,800 in duplicative charges that Consolidated invoiced for services provided for the Doctor Howard Elementary School location at 1103 N. Neil Street.
- **Comcast Business Communications (Comcast), FRN 2199032208.** In February 2022, Comcast installed circuit upgrades from 1 Gbps to 10 Gbps at two of the Beneficiary's locations and began billing for the upgraded circuits. Although the Beneficiary received the upgraded service, the Service Provider also continued to bill for the prior 1 Gbps circuits at those locations for the remainder of the FY. As a result, Comcast invoiced the E-Rate program \$9,092 for circuits that were no longer in use.
- **Frontier, FRN 2199034874.** In August 2021, Frontier installed a circuit upgrade from 300 Mbps to 1 Gbps at one of the Beneficiary's locations and began billing for the upgraded circuit. Although the Beneficiary received the upgraded service, the Service Provider also continued to bill for the prior circuit until November 2021. As a result, Frontier invoiced the E-Rate program \$1,988 for a circuit that was no longer in use.

Cause

The Service Providers did not have adequate controls in place to ensure that they only billed the Beneficiary and invoiced the E-Rate program for services actually provided.

Effect

The monetary effect of this finding is \$17,081 (\$14,800 plus \$9,092 plus \$1,988, for a total of \$25,880, multiplied by the Beneficiary's 66 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|---|------------------------|------------------------|
| Internet Access and/or Data Transmission FRN 2199033125 | \$9,768 | \$9,768 |
| Internet Access and/or Data Transmission FRN 2199032208 | \$6,001 | \$6,001 |
| Internet Access and/or Data Transmission FRN 2199034874 | <u>\$1,312</u> | <u>\$1,312</u> |
| Total | <u>\$17,081</u> | <u>\$17,081</u> |

Recommendations

We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.
2. The Service Providers implement controls to ensure that they only bill beneficiaries and invoice the E-Rate program for services provided.

Service Provider Responses

Consolidated Response

The information relayed from the customer was that there was a naming and address error on the RFP. N Neil may have been temporary for Dr Howard Elem but it is also Columbia Elem School. If Consolidated is to return funding to USAC for these circuits this will result in a charge back to the customer as well.

Comcast Response

Comcast has policies and procedures in place to ensure that the billed beneficiaries are invoiced for the services it actually provided.

Frontier Response

Millstadt – IL DOIT Circuit #387 – 1G @ \$1035

- *BTN 618-198-0456 – 1st bill Oct 2021 (Eff 8/27/21)*
- *BTN 618-198-0452.1 – billed thru 10/14/21 (this BTN was replaced with BTN 618-198-0456)*
 - *Frontier discounted in error; billing should have stopped on 618-198-0452.1 when we started billing 618-198-0456 for the upgrade from 300m to 1G. Frontier to return \$1312.00 to USAC.*

Auditor Response

Consolidated, FRN 2199033125. Columbia Elementary School is not included in the FCC Form 471 as a recipient of 2 Gbps service for this FRN. We did not change the audit finding.

Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Services Funded by Another FRN

Condition

One of the Beneficiary's Service Providers, AT&T, did not use the correct FRN when invoicing the E-Rate program for Internet access services provided at one location. Specifically, the Service Provider invoiced the E-Rate program \$11,488 under FRN 2199039647 for 2 Gbps service to Kaneland Community United School District 302 that was funded under FRN 2199033224.⁷

Cause

The Service Provider did not have adequate controls in place to ensure that it used the correct FRN when invoicing the E-Rate program.

Effect

The monetary effect of this finding is \$7,582 (\$11,488 multiplied by the Beneficiary's 66 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|---|-----------------------|-----------------------|
| Internet Access and/or Data Transmission FRN 2199039647 | <u>\$7,582</u> | <u>\$7,582</u> |
| Total | <u>\$7,582</u> | <u>\$7,582</u> |

Recommendations

We recommend that:

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement controls to ensure that it invoices the E-Rate program using the proper FRNs.

Service Provider Response

The customer provided the Kaneland Community United School District 302 circuit location on the GRID they submitted to AT&T on 03.15.2022 for FRN 2199039647. AT&T has notified the customer of the impending \$7,582 debit to their account issued 02/29/24 & returned funds to USAC via ACH 27CBGCVS on 02/29/2024.

Auditor Response

Although the Service Provider indicated that it had returned the amount recommended for recovery to USAC, based on information that we obtained from USAC Finance, there were

⁷ We noted that only \$18,842 of \$26,642 committed for FRN 2199033224 was disbursed, so these charges would have been within the funded amount for that FRN if they had been properly charged.

issues with AT&T's repayment of \$7,582 for this finding, and AT&T chose to cancel its submission. Because AT&T has not yet repaid the funds, we did not adjust the amount recommended for recovery.

Finding No. 5, 47 C.F.R. § 54.507(d) (2020) – Service Provider Invoiced the E-Rate Program for Services Delivered Outside of the Funding Year

Condition

One of the Beneficiary's Service Providers, Consolidated, invoiced the E-Rate program under a FY 2021 FRN, FRN 2199033125 for services delivered prior to the start of FY 2021.

Specifically, because the Service Provider's monthly billing cycle starts on the 11th of each month it should have invoiced the E-Rate program for services provided July 11, 2021, through July 10, 2022. However, the Service Provider's July 2021 bill included \$11,081 in prorated charges for services incurred from July 1 to July 10, 2021. The Service Provider stated that these charges were for services that it installed on July 1, 2021, but was unable to bill sooner because it needed to activate the services in its system. However, based on the Service Provider's billing cycle, the \$11,081 in prorated charges related to FY 2020.⁸ Additionally, these charges resulted in the Service Provider invoicing more than the approved amount for those services based on the FY 2021 Form 471 and for a period exceeding the permitted 365 days.

Cause

The Service Provider did not have policies and procedures in place to remove costs related to prior FY services from its invoices to the E-Rate program.

Effect

The monetary effect of this finding is \$7,313 (\$11,081 multiplied by the Beneficiary's 66 percent discount rate). However, because \$1,241 (\$1,881 multiplied by the Beneficiary's 66 percent discount rate) of this amount was questioned in Finding No. 1 and because \$264 (\$400 multiplied by the Beneficiary's 66 percent discount rate) was questioned in Finding No. 2, we reduced the recommended recovery by \$1,505 (\$1,241 plus \$264).

| Support Type | Monetary Effect | Recommended Recovery |
|---|-----------------------|-----------------------|
| Internet Access and/or Data Transmission FRN 2199033125 | \$7,313 | \$5,808 |
| Total | <u>\$7,313</u> | <u>\$5,808</u> |

Recommendations

We recommend that:

⁸ We noted that \$9,635 of the \$11,081 in questioned costs relate to services that the Beneficiary included in its FY 2020 Form 471. These charges therefore would have been eligible if Consolidated had invoiced them to the Beneficiary's FY 2020 FRN.

1. USAC Management seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement controls to ensure that amounts invoiced to the E-Rate program do not include charges for services rendered outside the applicable FY.

Service Provider Response

When CCI originally won the bid for this customer we starting [sic] billing on July 1 as per the RFP requirements. Regardless of what the bill cycle was, funding and reimbursement continued to be July 1- June 30. CCI can not eliminate the prorate [sic]charges from being included in the funding as there was no way around this, however what will be returned is for charges on the June 2022 invoice for July 1 2022-July 10 2022 because essentially CCI invoiced for 1 full funding year plus 10 days. These are also charges that will be debited back to the customer's account since they received an additional 10 days of credit during that funding year. The amount to be returned should be calculated after Finding No 1 is finalized because those circuits are included in the total funding for the year and should be taken into consideration by reducing the recovery amount in this finding.

Auditor Response

We agree with the Service Provider's conclusion that amounts recommended for recovery in other report findings should be taken into account in determining total recovery for the findings, which is why we identified the overlap with other findings in the Effect above and reduced recommended recovery by this amount. We did not change our recommendations.

Finding No. 6, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Providers Invoiced the E-Rate Program at MRCs that Exceeded Those Approved for Funding

Condition

Two of the Beneficiary's Service Providers invoiced the E-Rate program for services at MRC amounts that exceeded those the Beneficiary included in its approved FCC Form 471 funding requests, as follows:

- **Frontier, FRN 2199034874.** Frontier invoiced the E-Rate program at an MRC of \$1,300 to provide 5.57 months of 1 Gbps Internet service to 211 W. Mill Street (Account 0454). However, USAC only approved an MRC of \$1,035 for these services. As a result, the Service Provider over-invoiced the E-Rate program by \$1,476 (\$1,300 - \$1,035, for a total of \$265 per month, multiplied by 5.57 months).
- **Comcast, FRN 2199032208.** Comcast invoiced the E-Rate program at an MRC of \$827 to provide 1 Gbps internet service (circuit 411) for 12 months. However, USAC only approved an MRC of \$795 for these services. As a result, the Service Provider over-invoiced the E-Rate program a total of \$384 (\$827 - \$795, for a total of \$32 per month, multiplied by 12 months).

Cause

The Service Providers did not have adequate controls in place to ensure that they did not invoice the E-Rate program at MRC amounts exceeding those approved for funding.

Effect

The monetary effect of this finding is \$1,227 (\$1,476 plus \$384, for a total of \$1,860, multiplied by the Beneficiary's 66 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|---|-----------------------|-----------------------|
| Internet Access and/or Data Transmission FRN 2199032208 | \$253 | \$253 |
| Internet Access and/or Data Transmission FRN 2199034874 | \$974 | \$974 |
| Total | <u>\$1,227</u> | <u>\$1,227</u> |

Recommendations

We recommend that:

1. USAC Management seek recovery of the amounts identified in the Effect section above.
2. The Service Providers implement controls to ensure that amounts invoiced to the E-Rate program do not exceed the MRCs approved for funding.

Service Provider Responses

Frontier Response

Millstadt – IL DOIT Circuit #386 – 1G @ \$1035 – BTN 618-198-0454

- *Billing error, this has been corrected and service credits have been issued to IL DOIT. Frontier to return \$974.00 to USAC.*

Comcast Response

Comcast has policies and procedures in place to ensure that amounts invoiced to the E-rate program do not exceed amounts approved for funding.

Auditor Response

Comcast FRN 2199032208. As the Service Provider's policies and procedures were not sufficient to identify and exclude amounts exceeding those approved for funding from its invoices for this FRN, we made no changes to our finding or recommendations.

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

Condition

We obtained and examined the selected Service Provider's bills to determine whether the Service Providers only billed the Beneficiary for the non-discounted portion of costs on the bills, plus the

costs of any ineligible services. Specifically, for Funding Year 2021, the Beneficiary elected to receive E-Rate reimbursement from USAC for selected FRNs using the SPI method⁹ at the following discount rate:

| FRN | Discount Rate |
|------------|---------------|
| 2199033125 | 66% |
| 2199033205 | 66% |
| 2199034874 | 66% |
| 2199039647 | 66% |

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.¹⁰ However, four of the selected Service Providers billed the Beneficiary for the *full pre-discount costs* of the eligible 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 services), as follows:

- MCC Network Services LLC (MCC) billed the Beneficiary for the undiscounted amount of its services each month. In January 2022, MCC began receiving reimbursement from USAC and recorded the reimbursement amounts on its bills as a payment toward the outstanding balance.
- Consolidated did not apply E-Rate credits to its FY 2021 bills until February 2022, when it received its first reimbursement from USAC.
- Frontier did not apply E-Rate credits to its FY 2021 bills until January 2022, when it invoiced USAC.
- AT&T did not apply E-Rate credits to its FY 2021 bills until April 2022, when it invoiced USAC.

⁹ *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, para. 234-235 (2014) (*First 2014 E-Rate Order*). See also *Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, at para. 586 (1997); *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 03-101, paras. 44, 46-47 (2003) (*Second Report and Order*); 47 CFR 54.514(c) (2021); 47 C.F.R. § 54.504(f)(5) (2021) and SPI Form, FCC Form 474, Block 3 (2021).

¹⁰ *Id.*

Cause

The Service Providers did not have adequate policies and procedures in place to ensure that they applied E-Rate discounts to Beneficiary bills on a timely basis.

Effect

As a result of the above-described improper use of the SPI method, the Service Providers charged and collected more than the Beneficiary's non-discounted portion of costs of the eligible services during the period at issue. However, there is no monetary effect since the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. We note that, by selecting the SPI reimbursement method, the Beneficiary was only required to pay the Service Provider the non-discounted portion of the costs of the eligible equipment and services. Requiring that the Beneficiary pay the full pre-discount costs and wait for reimbursement of the discounted portion of the costs in the form of a credit on subsequent bills is inconsistent with E-Rate program rules.¹¹ 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.¹²

Recommendation

We recommend that the Service Providers implement controls and procedures to ensure they obtain Beneficiaries' FRN funding details and apply discounts to their bills on a timely basis.

Service Provider Responses

MCC Response

MCC acknowledges the condition notated above during the 2021-2022 school year; however, due to delay in certification of FRN 2199033205 SPI method billing not completed until December 2021, the service provider mitigated the risk of cash flow issues and billed the beneficiary for the discount share of services and effectively applied the appropriate E-Rate credits to the Beneficiary's bills. A timely certification would have facilitated MCC's ability to invoice appropriately. MCC has created policies and procedures since 2021-2022 school year to aid the effort of billing USAC for the E-Rate funding for this beneficiary. MCC is committed to continuous improvement of policies annually to ensure efficiency and effectiveness with billing USAC E-Rate.

Consolidated Response

CCI didn't receive the approved Form 486 from USAC until 12-26-21. We applied the credits to the customer's account in January which resulted in them showing on the February invoice. CCI did not invoice USAC until after charges were applied to the customer's account reducing their

¹¹ FCC 03-101, at paras. 46-47 and *First Universal Service Order*, FCC 97-157, para. 586.

¹² See *Second Report and Order*, FCC 03-101, at para. 47.

current charges due. We did not wait until funds were received from USAC to credit the customer's account.

Frontier Response

Discounts were started once the 486 was confirmed as certified. The 486 was certified on 12-21-21. Discounts started as of the Jan 2022 invoices and were in arrears to 7-1-21. The FCDL date for FRN 2199034874 was not received until 11-24-21.

AT&T Response

AT&T's SPI method process is compliant with current FCC rules. AT&T applies E-Rate credits to customers' bills after AT&T receives all information necessary to verify the services and accounts that are subject to the E-Rate discount.

AT&T requests customers to provide relevant information early in the process and, in its Welcome Package, AT&T provides customers with a "Grid" identifying relevant information needed by AT&T to apply E-rate credits. AT&T applies E-rate credits to customers' bills after receiving the completed Grid.

In this case, the customer did not provide AT&T with the completed Grid until 3/15/2022 (8 months after the start of the funding year). The late Grid receipt required AT&T to manually process disbursements for 7/2021 – 3/2022 & ensure posting to the bill prior to invoicing USAC.

NOTE: The FCC is considering this issue of SPI invoicing in a current rulemaking proceeding. AT&T is an active participant in the proceeding and has filed both comments and reply comments explaining its SPI processes. Please refer to AT&T comments.[1]

^[1] See, AT&T Comments and Reply Comments, Schools and Libraries Universal Service Support Mechanism; Federal -State Joint Board on Universal Service; Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 02-6; CC Docket No. 96-45, CC Docket No. 97-21, released July 21, 2023.

Auditor Response

While our testing did not identify any instances where the Service Providers did not ultimately apply E-Rate credits for amounts invoiced to USAC, the delay in applying these credits could cause financial hardship and/or cash flow problems for the Beneficiary, which is inconsistent with the intent of the E-Rate program. Accordingly, we made no changes to the Other Matter.

Criteria

| Finding | Criteria | Description |
|-------------------|---|---|
| 1, 2, 3, 4, and 6 | FCC Form 473, Service Provider Annual Certification (SPAC) Form, OMB 3060-0856, at Block 2 (2021) | <i>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for services which have been billed to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i> |

| Finding | Criteria | Description |
|-------------------|--|---|
| 1, 2, 3, 4, and 6 | FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 (2021) | <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p><i>11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i></p> <p><i>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 service support program could result in civil or criminal prosecution by law enforcement authorities.</i></p> <p><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i></p> <p><i>...</i></p> <p><i>C. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service</i></p> |

| Finding | Criteria | Description |
|---------|------------------------------|--|
| | | <i>support program could result in civil or criminal prosecution by law enforcement authorities.</i> |
| 5 | 47 C.F.R. § 54.507(d) (2020) | <i>Annual filing requirement. (1) Schools and libraries, and consortia of such eligible entities shall file new funding requests for each funding year no sooner than the July 1 prior to the start of that funding year. Schools, libraries, and eligible consortia must use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought.</i> |

| Other Matter | Criteria | Description |
|--------------|---|---|
| 1 | <i>Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 235 (2014) (First 2014 E-Rate Order)</i> | <i>We take this opportunity to reiterate that E-Rate applicants continue to have the option of electing BEAR or SPI reimbursement. Thus, when the applicant pays only the discounted cost of the services directly to the service provider through the SPI process, the service provider will continue to file a SPI form with USAC to receive reimbursement.</i> |
| 1 | <i>Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 234, n.567 (2014) (First 2014 E-Rate Order)</i> | <i>Applicants also have the option of using the Service Provider Invoicing (SPI) process. Under the SPI process the applicant pays only the reduced cost of the services directly to the service provider, and then the service provider must file an FCC Form 47[4] (SPI Form) with USAC to receive its reimbursement.</i> |
| 1 | <i>Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157, para. 586 (1997)</i> | <i>We conclude that requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.</i> |

| Other Matter | Criteria | Description |
|--------------|---|--|
| 1 | <p><i>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)</i></p> | <p><i>We first conclude that we should adopt a rule requiring service providers to give applicants the choice each funding year either to pay the discounted price or to pay the full price and then receive reimbursement through the BEAR process. We find that providing applicants with the right to choose [their] payment method is consistent with section 254. Although section 254(h)(1)(B) requires that telecommunications carriers providing discounted service be permitted to choose the method by which they receive reimbursement for the discounts that they provide to schools and libraries, i.e., between receiving either a reimbursement for the discount or an off-set against their obligations to contribute to the universal service fund, the statute does not require that they be permitted to choose the method by which they provide those discounts to the school or library in the first place.</i></p> <p><i>In addition, we find that providing applicants with the right to choose which payment method to use will help to ensure that all schools and libraries have affordable access to telecommunications and Internet access services. The Commission previously noted in the Universal Service Order that “requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.” The comments in the present record have confirmed that many applicants cannot afford to make the upfront payments that the BEAR method requires. In light of the record before us, we conclude that the potential harm to schools and libraries from being required to make full payment upfront, if they are not prepared to, justifies giving applicants the choice of payment method.</i></p> |
| 1 | 47 CFR 54.514(c) (2021) | <p><i>Choice of payment method. Service providers providing discounted services under this subpart in any funding year shall, prior to the submission of the FCC Form 471, permit the billed entity to choose the method of payment for the discounted services from those methods approved by the Administrator, including by making a full, undiscounted payment and receiving subsequent reimbursement of the discount amount from the Administrator.</i></p> |

| Other Matter | Criteria | Description |
|--------------|---|--|
| 1 | 47 C.F.R. § 54.504(f)(5) (2021) | <i>The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i> |
| 1 | Service Provider Invoice (SPI) Form, FCC Form 474, Block 3 (2021) | <i>Item A - I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i> |

Sikich CPA LLC

INFO Item: Audit Released September 2025
Attachment B
1/26/2026

Attachment B

SL2024LR011

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

KIPP NASHVILLE DISTRICT

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

USAC AUDIT No. SL2024LR011



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
KIPP NASHVILLE DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES**

Executive Summary

April 2, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of KIPP Nashville District (Beneficiary), Billed Entity Number (BEN) 17026144, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on the audit.

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

Based on the test work performed, our audit disclosed one detailed audit finding and one other matter, as discussed in the Audit Results and Recovery Action section below. For the purpose of

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”).

this report, a “finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period. An “other matter” is a condition that does not necessarily constitute an FCC Rule violation but that warrants the attention of the Beneficiary and/or its Service Provider(s) and USAC management.

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

Audit Results and Recovery Action

Based on the test work performed, our audit found that the Beneficiary’s Service Provider² did not comply with FCC Rules and could improve its billing processes, as set forth in the one detailed audit finding and one other matter described below.

| Audit Results | Monetary Effect | Recommended Recovery |
|---|-------------------------|------------------------|
| Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2022); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2022) – Service Provider Invoiced the E-Rate Program for Services Not Requested. The Beneficiary’s Service Provider invoiced the E-Rate program for Internet access services that the Beneficiary did not include on its FCC Form 471 request for funding. | \$233,362 | \$68,081 |
| Other Matter No. 1, First 2014 E-Rate Order (FCC 14-99), at para. 235 – Service Provider Billed the Beneficiary for the Discounted Share of Costs While Using the SPI Method. The Beneficiary’s Service Provider billed the Beneficiary for the discounted share of service costs under the SPI method. | \$0 | \$0 |
| Total Net Monetary Effect | <u>\$233,362</u> | <u>\$68,081</u> |

² The Service Provider for FRN 2299033602 was AT&T Corp. and the Service Provider for FRN 2299033577 was BellSouth Telecommunications LLC (BellSouth). As BellSouth is a wholly owned subsidiary of AT&T, we refer to AT&T and BellSouth collectively as the Service Provider.

USAC Management Response

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

- <https://www.usac.org/wp-content/uploads/e-rate/documents/resources/E-Rate-Tips-to-Speed-Up-Disbursements-Sheet.pdf>
- <https://www.usac.org/wp-content/uploads/e-rate/documents/invoicing/e-rate-invoicing-requirements-guide.pdf>

USAC records show the beneficiary and service provider are currently subscribed to the E-Rate weekly News Brief. USAC encourages the beneficiary and service provider to review the News Brief, as it contains valuable information about the E-Rate program.

| FRN | Recovery Amount |
|------------|-----------------|
| 2299033602 | \$68,081.40 |

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 Nashville, Tennessee, that serves more than 3,000 students.

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

| Service Type | Amount Committed | Amount Disbursed |
|-----------------|------------------|------------------|
| Internet Access | \$239,889 | \$233,611 |
| Total | \$239,889 | \$233,611 |

The “amount committed” total represents one FCC Form 471, *Description of Services Ordered and Certification*, application submitted by the Beneficiary for FY 2022 that resulted in two Funding Request Numbers (FRNs). We selected both FRNs,³ which represent \$239,889 of the funds committed and \$233,611 of the funds disbursed during the audit period. For each FRN, we performed the audit procedures enumerated below.

³ We selected FRNs 2299033602 and 2299033577.

A. Application Process

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

B. Competitive Bidding Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly selected the Service Provider that provided eligible services and 2) considered the price of the eligible services as the primary factor in selecting its Service Provider. 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 Service Provider. We examined the Service Provider's contracts to determine whether they were properly executed. In addition, we evaluated the cost-effectiveness of the services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 474s, *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.

D. Beneficiary Location

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

E. Reimbursement Process

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

Detailed Audit Findings

Finding No. 1, FCC Form 473, SPAC Form, at Block 2 (2022); FCC Form 474, SPI Form at Block 3 (2022) – Service Provider Invoiced the E-Rate Program for Services Not Requested

Condition

The Beneficiary’s Service Provider, AT&T Corp. (AT&T), invoiced the E-Rate program for \$259,291 in Internet access services that the Beneficiary did not include—or did not include under the invoiced FRN—on its request for funding per its FCC Form 471, *Description of Services Ordered and Certification*, Forms, as follows:

- The Service Provider invoiced FRN 2299033577 for \$183,645 in services that the Beneficiary did not request under this FRN, including:
 - \$97,516 for FY 2022 wide area network (WAN) services that USAC had approved for funding under FRN 2299033602 (and should have been invoiced under that FRN) but that the Service Provider erroneously invoiced under FRN 2299033577, including:
 - \$48,041 for 1 gigabyte per second (GBPS) services provided to four locations.
 - \$49,475 for 2.5 GBPS services provided to one location.
 - \$86,129 for “End Site WAN...750 Mbps” services that the Beneficiary did not include under any FRNs in its FY 2022 FCC Form 471 request for funding.
- The Service Provider invoiced FRN 2299033602 for \$75,646 in 10 GADE (AT&T Dedicated Ethernet) services that the Beneficiary did not include in its FY 2022 FCC Form 471 request for funding.

Cause

The Service Provider did not have adequate controls and procedures in place to ensure that it only invoiced the E-Rate program for funded services under the appropriate FRNs. Specifically, although the Service Provider stated that it invoiced the E-Rate program based on information the Beneficiary had certified, it acknowledged that it did not invoice the FRNs based on the approved funding sources.

Effect

The monetary effect of this finding is \$233,362, and the recommended recovery is \$68,081, as detailed below:

- **FRN 2299033577.** The monetary effect for this FRN is \$165,281 (\$183,645 multiplied by the Beneficiary’s 90 percent discount rate). However, we note that \$87,764 (\$97,516 multiplied by the Beneficiary’s 90 percent discount rate) of the \$165,281 relates to eligible services funded under FRN 2299033602. Because the Service Provider has reimbursed USAC for this amount, we do not recommend recovery.

- **FRN 2299033602.** The monetary effect and recommended recovery for this FRN is \$68,081 (\$75,646 multiplied by the Beneficiary's 90 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|--------------------------------|-------------------------|------------------------|
| Internet Access FRN 2299033577 | \$165,281 | \$0 |
| Internet Access FRN 2299033602 | \$68,081 | \$68,081 |
| Total | <u>\$233,362</u> | <u>\$68,081</u> |

Recommendations

We recommend that:

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

Service Provider Response

On January 15, 2025, AT&T returned \$165,280.94 for FRN 2299033577, which was accepted by USAC on January 29, 2025. We understand that USAC is allowing the customer to retain \$87,764, as these funds pertain to eligible services funded under FRN 2299033577.

To clarify, AT&T did not return any funds for FRN 2299033602, and we acknowledge USAC's request for the return of \$68,081. In response, we respectfully request that USAC transfers \$68,081 from the funds returned on January 15, 2025, under FRN 2299033577, and applies it to FRN 2299033602

Additionally, we request that USAC returns the overage amount of \$19,683, which was returned by AT&T to USAC in error.

Auditor Response

We verified with an FRN Status Report from USAC's Open Data tool, that AT&T has returned all amounts disbursed under FRN 2299033577. Accordingly, we reduced the amounts recommended for recovery for this FRN. We also clarified that the \$87,764 eligible services costs identified in our finding pertained to eligible services funded under FRN 2299033602, not FRN 2299033577 as noted in AT&T's response.

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

Condition

We obtained and examined Service Provider bills to determine whether the Service Provider only billed the Beneficiary for the non-discounted portion of costs on the bills, plus the costs of any ineligible services. Specifically, for FY 2022, the Beneficiary elected to receive E-Rate

reimbursement from USAC for the following FRNs using the SPI method⁴ at the following discount rates:

| FRN | Discount Rate |
|------------|---------------|
| 2299033577 | 90% |
| 2299033602 | 90% |

Under the SPI method, service providers bill beneficiaries for only the non-discounted share of costs for eligible equipment and services (and the costs for any ineligible equipment and services), and invoice USAC for the remaining discounted share of the costs for eligible equipment and services. Thus, under the SPI method, beneficiaries are responsible for paying service providers only for the non-discounted share of costs (plus the costs of any ineligible equipment and services), and the service provider is required to invoice USAC for the discounted share of costs of eligible equipment and services in order to receive payment.⁵ However, in this case, the Service Provider instead billed the Beneficiary for the *full pre-discount costs* of the eligible 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 services). After the Beneficiary provided the completed forms the Service Provider requires to apply E-Rate credits, the Service Provider applied the applicable E-Rate discounts to the Beneficiary's bills. The Service Provider did not invoice USAC until it had adjusted the Beneficiary's invoice to reflect the credits for the discounted share. For example, the Service Provider invoiced USAC \$165,281 under FRN 2299033577 on February 22, 2024 but it had applied this amount as an E-Rate credit to its bills on January 30, 2024.

Cause

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

Effect

As a result of the above-described improper use of the SPI method, the Service Provider charged and collected more than the Beneficiary's non-discounted portion of costs of the eligible services during the period at issue. However, there is no monetary effect since the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiary's subsequent bills. We note that, by selecting the SPI reimbursement method, the Beneficiary was

⁴ *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, FCC 14-99, para. 234-235 (2014) (*First 2014 E-Rate Order*). See also *Federal-State Joint Board On Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, at para. 586 (1997); *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 03-101, paras. 44, 46-47 (2003) (*Second Report and Order*); 47 CFR 54.514(c) (2021); 47 C.F.R. § 54.504(f)(5) (2021) and SPI Form, FCC Form 474, Block 3 (2022).

⁵ 47 C.F.R. § 54.514(c).

only required to pay the Service Provider the non-discounted portion of the costs of the eligible equipment and services. Requiring that the Beneficiary pay the full pre-discount costs and wait for reimbursement of the discounted portion of the costs in the form of a credit on subsequent bills is inconsistent with E-Rate program rules.⁶ In addition, requiring Beneficiaries to pay the full pre-discount costs could create serious cash flow problems and could disproportionately affect the most disadvantaged schools and libraries.

Recommendation

The Service Provider should implement policies, controls, and procedures to obtain and process FRN funding details so that they can apply billing discounts on a timely basis and ensure that Beneficiaries who select the SPI invoicing method are billed only for the non-discounted share of costs for the eligible equipment and services (plus the cost of any ineligible equipment and services). The Service 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

AT&T does not agree with the last sentence under conditions "*After the Service Provider received reimbursement for the discounted share of the costs from USAC, they posted a credit for the same amount to the Beneficiary's accounts to be applied to future billing periods.*" AT&T did not request or receive reimbursement for the discounted share of the costs from USAC until AFTER discounts were applied to the Beneficiaries account.

AT&T's SPI method process is compliant with current FCC rules.

AT&T applies E-Rate credits to customers' bills after AT&T receives all information necessary to verify the services and accounts that are subject to the E-rate discount.

AT&T requests customers to provide relevant information early in the process and, in its Welcome Package, AT&T provides customers with a "Grid" identifying relevant information needed by AT&T to apply E-rate credits. AT&T applies E-rate credits to customers' bills after receiving the completed Grid. In this case, the customer did not provide AT&T with the completed Grid until January 25, 2023 for FRN 2299033602 & September 11, 2023 for FRN 2299033577. The late Grid receipt required AT&T to manually process disbursements to ensure posting to the bill prior to last date to invoice of February 27, 2024.

NOTE: The FCC is considering this issue of SPI invoicing in a current rulemaking proceeding. AT&T is an active participant in the proceeding and has filed both comments and reply comments explaining its SPI processes. Please refer to AT&T comments.⁴

⁶ 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.

^[1] See, AT&T Comments and Reply Comments, Schools and Libraries Universal Service Support Mechanism; Federal -State Joint Board on Universal Service; Changes to the Board of Directors of the National Exchange Carrier Association, Inc., *Report and Order and Further Notice of Proposed Rulemaking*, CC Docket No. 02-6; CC Docket No. 96-45, CC Docket No. 97-21, released July 21, 2023.

Auditor Response

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

However, we updated the condition of the other matter to better reflect the Service Provider's process for applying the applicable E-Rate discounts to the Beneficiary's bills.

Criteria

| Criteria | Finding | Criteria | Description |
|-----------------|----------------|---|---|
| | 1 | FCC Form 473, Service Provider Annual Certification (SPAC) Form, at Block 2, OMB 3060-0856 (2022) | <p><i>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider contain requests for universal service support for 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></p> <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p><i>11. 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.</i></p> |
| | 1 | FCC Form 474, Service Provider Invoice (SPI) | <i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service</i> |

| Finding | Criteria | Description |
|---------|------------------------|---|
| | Form, at Block 3(2022) | <p><i>Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i></p> <p><i>I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitment.</i></p> |

| Other Matter | Criteria | Description |
|--------------|---|---|
| 1 | <i>Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 235 (2014) (First 2014 E-Rate Order)</i> | <i>We take this opportunity to reiterate that E-Rate applicants continue to have the option of electing BEAR or SPI reimbursement. Thus, when the applicant pays only the discounted cost of the services directly to the service provider through the SPI process, the service provider will continue to file a SPI form with USAC to receive reimbursement.</i> |
| 1 | <i>Modernizing the E-rate Program for Schools and Libraries, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, para. 234, n.567 (2014) (First 2014 E-Rate Order)</i> | <i>Applicants also have the option of using the Service Provider Invoicing (SPI) process. Under the SPI process the applicant pays only the reduced cost of the services directly to the service provider, and then the service provider must file an FCC Form 47[4] (SPI Form) with USAC to receive its reimbursement.</i> |
| 1 | <i>Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-</i> | <i>We conclude that requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.</i> |

| Other Matter | Criteria | Description |
|--------------|---|---|
| | 157, para. 586 (1997) | |
| 1 | <p><i>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)</i></p> | <p><i>We first conclude that we should adopt a rule requiring service providers to give applicants the choice each funding year either to pay the discounted price or to pay the full price and then receive reimbursement through the BEAR process....We find that providing applicants with the right to choose [their] payment method is consistent with section 254. Although section 254(h)(1)(B) requires that telecommunications carriers providing discounted service be permitted to choose the method by which they receive reimbursement for the discounts that they provide to schools and libraries, i.e., between receiving either a reimbursement for the discount or an off-set against their obligations to contribute to the universal service fund, the statute does not require that they be permitted to choose the method by which they provide those discounts to the school or library in the first place.</i></p> <p><i>In addition, we find that providing applicants with the right to choose which payment method to use will help to ensure that all schools and libraries have affordable access to telecommunications and Internet access services. The Commission previously noted in the Universal Service Order that “requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries.”. In light of the record before us, we conclude that the potential harm to schools and libraries from being required to make full payment upfront, if they are not prepared to, justifies giving applicants the choice of payment method.</i></p> |
| 1 | 47 CFR 54.514(c) (2021) | <p><i>Choice of payment method. Service providers providing discounted services under this subpart in any funding year shall, prior to the submission of the FCC Form 471, permit the billed entity to choose the method of payment for the discounted services from those methods approved by the Administrator, including by making a full, undiscounted payment and receiving subsequent reimbursement of the discount amount from the Administrator.</i></p> |

| Other Matter | Criteria | Description |
|--------------|---|--|
| 1 | 47 C.F.R. § 54.504(f)(5) (2021) | <i>The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i> |
| 1 | Service Provider Invoice (SPI) Form, FCC Form 474, Block 3 (2022) | <i>Item A - I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i> |

Sikich CPA LLC

INFO Item: Audit Released September 2025
Attachment C
1/26/2026

Attachment C

SL2024LR022

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

BENTON COUNTY SCHOOL DISTRICT

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

USAC AUDIT No. SL2024LR022



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

Executive Summary

April 30, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Benton County School District (Beneficiary), Billed Entity Number (BEN) 128467, 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 governing the federal Universal Service E-Rate program (collectively, Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on our audit.

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

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

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

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

Audit Results and Recovery Action

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

| Audit Results | Monetary Effect | Recommended Recovery |
|---|-----------------------|-----------------------|
| Finding No. 1, 47 C.F.R. § 54.504(e) (2021) – The Beneficiary Did Not Accurately Cost-Allocate the Cost of Ineligible Costs in its Funding Request. The Beneficiary understated the cost of services to ineligible pre-kindergarten students in its funding request because it used an inaccurate student count. | <u>\$1,997</u> | <u>\$1,997</u> |
| Total Net Monetary Effect | <u>\$1,997</u> | <u>\$1,997</u> |

USAC Management Response

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

| FRN | Recovery Amount |
|------------|-----------------|
| 2299038638 | \$1,997 |

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 Camden, Tennessee, that serves more than 2,100 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2022 as of April 12, 2024, the date that our audit commenced.

| Service Type | Amount Committed | Amount Disbursed |
|------------------------------------|-------------------------|-------------------------|
| Internal Connections | \$207,933 | \$51,892 |
| Internet Access | \$126,175 | \$117,375 |
| Managed Internal Broadband Service | <u>\$9,383</u> | <u>\$9,383</u> |
| Total | <u>\$343,491</u> | <u>\$178,650</u> |

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 three Funding Request Numbers (FRNs). We tested all three of the FRNs,² which represent \$343,491 of the funds committed and \$178,650 of the funds disbursed during the audit period.³ Using these FRNs, we performed the audit procedures enumerated below.

A. Application Process

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

B. Competitive Bidding Process

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

² We tested FRNs 2299038638, 2299045685, and 2299048185.

³ After our audit was announced, USAC reduced the amount committed for FRN 2299048185 from \$207,933 to \$50,717 at the Beneficiary’s request, and the Service Provider reimbursed USAC \$1,175 for this FRN. The revised totals for the three FRNs are \$186,275 in funds committed and \$177,475 in funds disbursed.

Additionally, we examined the selected Service Provider contracts to determine whether it was properly executed.

C. Invoicing Process

We obtained and examined invoices for which payments were 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.

D. Site Visit

We performed a virtual site visit 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 which funding was requested. We also evaluated the cost-effectiveness of the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

E. Reimbursement Process

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

Detailed Audit Finding

Finding No. 1, 47 C.F.R. § 54.504(e) (2021): The Beneficiary Did Not Accurately Cost-Allocate the Cost of Ineligible Services in its Funding Request

Condition

The Beneficiary inaccurately calculated the ineligible cost of services on its FCC Form 471. Specifically, in reporting student enrollment for FRN 2299038638, the Beneficiary used its October 2019 student count totaling 2,251 with 51 ineligible pre-kindergarten students (2.27 percent ineligible) instead of its October 2021 student count totaling 1,923 students with 87 ineligible pre-kindergarten students (4.52 percent ineligible). The Beneficiary used the outdated October 2019 student count to allocate the cost of services to the ineligible pre-kindergarten students, thus understating ineligible monthly recurring costs on its FCC Form 471. As a result, the Beneficiary's Service Provider, ENA Services, LLC, invoiced the E-Rate program for

ineligible services.⁴ Specifically, because the Service Provider removed costs for ineligible pre-kindergarten students based on the inaccurate ineligible monthly recurring cost amounts that the Beneficiary reported on its FCC Form 471, it over-invoiced for eligible services.

We recalculated the eligible costs based on the supported student counts for October 2021 and determined that \$5,458 of the services provided should have been considered ineligible rather than the \$2,961 the Beneficiary had initially identified as ineligible. As a result, the Service Provider over-invoiced USAC by \$2,497 (\$5,458 minus \$2,961).

Cause

The Beneficiary did not have adequate policies, controls and procedures in place to ensure that it used accurate enrollment numbers when completing its FCC Form 471 and that it informed the Service Provider if the number of ineligible students receiving E-Rate funded services changed. Because the Beneficiary failed to cost-allocate the ineligible population based on current, accurate enrollment numbers, the Service Provider invoiced the E-Rate program for services provided to ineligible students.

Effect

The monetary effect of this finding is \$1,997 (\$2,497 multiplied by the Beneficiary's 80 percent discount rate).

| Support Type | Monetary Effect | Recommended Recovery |
|--------------------------------|-----------------|----------------------|
| Internet Access FRN 2299038638 | \$1,997 | \$1,997 |

Recommendations

We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.
2. The Beneficiary implement policies, controls and procedures to ensure that it uses accurate enrollment numbers when calculating ineligible costs on its FCC Form 471s, and that it informs service providers if the number of ineligible students receiving E-Rate funded services changes.
3. The Service Provider review its processes to ensure it is not knowingly submitting invoices containing charges for ineligible services, entities, and/or locations.

Beneficiary Response

We understand that a discrepancy was identified between the pre-kindergarten student count reported in our FCC Form 471 and the enrollment data referenced during the audit. We would

⁴ See also *Schools and Libraries Universal Service, Service Provider Annual Certification Form*, OMB 3060-0856, at Block 2 (2022) (FCC Form 473 or SPAC); *Schools and Libraries Universal Service, Service Provider Invoice Form* at Block 3 (2022) (FCC Form 474 or SPI); and 47 C.F.R. § 54.504(f)(5) (2021).

like to clarify that our Form 471 application was based on 2019 National School Lunch Program (NSLP) data, which was the most accurate and officially available data at the time of submission.

The auditors' review cited enrollment data from October 2021, which was not used in our original application. This difference in data years explains the variance in the number of pre-kindergarten students—specifically, the increase in ineligible student counts identified by the audit. As a result, the ineligible cost calculated using the 2021 data was higher than the ineligible amount we originally reported based on the 2019 figures.

Although the variance was unintentional, we understand the importance of aligning data sources and maintaining consistency across all E-Rate documentation. To prevent similar issues in the future, we are taking the following corrective actions:

- *We will ensure that the enrollment data used in funding applications is clearly documented and consistently applied across all E-Rate forms and invoices.*
- *We will work more closely with our service providers to confirm that invoice calculations accurately reflect the data used in our Form 471.*
- *We will improve coordination between our enrollment reporting team and the E-Rate program administrator to ensure accurate reporting of ineligible student populations, such as pre-kindergarten students.*

We recognize the \$1,997 overpayment from USAC and will fully cooperate with any recovery process deemed necessary. We appreciate the guidance provided and are committed to strengthening our internal controls moving forward.

Service Provider Response

Regarding this audit finding, Zayo Education deducted the costs for the ineligible Pre-K students based on what Benton County Schools reported as the ineligible monthly recurring costs on its FCC Form 471. Zayo Education had no way of knowing that the ineligible charges on the Form 471 were incorrect and that there were 45 additional Pre-K students that supported a higher amount of ineligible charges that should have been included on the Form 471. Zayo Education can only go by what's listed on the Form 471 and assume that the applicant's numbers are correct. Independent of this audit, if the applicant had discovered its error and notified Zayo Education of the miscalculation, Zayo Education would have made the necessary corrections to its SPI invoicing as needed and returned any USAC funds that were received in error.

Auditor Response

While the Beneficiary used its NSLP October 2019 data, the Beneficiary's NSLP October 2021 data was available to use for its FCC Form 471 submission for FY 2022. As it is the Beneficiary's responsibility to calculate its requested E-Rate funding based on current eligible student populations, our conclusion regarding this finding has not changed. However, we revised

the audit recommendations to more accurately address the cause of the ineligible amounts invoiced to USAC based on the Service Provider and Beneficiary responses.

| Criteria | Description |
|---|--|
| 47 C.F.R. § 54.504(e) (2021) | <p><i>(e) Mixed eligibility services. 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.</i></p> <p><i>(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.</i></p> |
| FCC Form 473, Service Provider Annual Certification (SPAC) Form, OMB 3060-0856, at Block 2 (2022) | <p><i>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for services which have been billed to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i></p> <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p><i>11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i></p> <p><i>23. I certify that, in addition to the foregoing, this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program, and acknowledges that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and for cancellation of funding commitments.</i></p> |
| FCC Form 474, Service Provider | <i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider</i> |

| Criteria | Description |
|---------------------------------------|--|
| Invoice (SPI) Form, at Block 3 (2022) | <p><i>Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i></p> <p class="list-item-l1"><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i></p> <p class="list-item-l1"><i>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.</i></p> <p class="list-item-l1"><i>C. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</i></p> |
| 47 C.F.R. § 54.504(f)(5) (2021) | <p><i>The FCC Form 473 shall be signed by an authorized person and shall include that person's certification under oath that. . . . The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i></p> |

Sikich CPA LLC

INFO Item: Audit Released September 2025
Attachment D
1/26/2026

Attachment D

SL2024SP026

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
PERFORMANCE AUDIT

NETWORKING TECHNOLOGIES, LLC
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES
USAC AUDIT No. SL2024SP026



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

Executive Summary

January 28, 2025

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

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “Sikich” or “we”) audited the compliance of Networking Technologies, LLC (Service Provider), Service Provider Identification Number (SPIN) 143031254, for Funding Year (FY) 2022, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission (FCC) Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on the audit.

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

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

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”).

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

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

Audit Results

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

| Audit Results | Monetary Effect | Recommended Recovery |
|--|-------------------------|----------------------|
| Finding No. 1, 47 C.F.R. § 54.507(d) (4) (2021) – E-Rate Funded Equipment not Installed by Required Deadline. The Beneficiary received but did not install internal connections equipment by the Funding Year (FY) 2022 E-Rate service deadline of September 30, 2023. | \$337,200 | \$0 |
| Finding No. 2, 47 C.F.R. § 54.504(a) (2021) – Beneficiary Installed Equipment at Location Not Included in its FCC Form 471. The Beneficiary installed E-Rate-funded equipment at a location for which it did not request E-Rate funding. | \$5,525 | \$0 |
| Total Net Monetary Effect | <u>\$342,725</u> | <u>\$0</u> |

USAC Management Response

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

- <https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/>
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-2023-Invoicing.pdf> (please see slides 12, 16, 30, and 70).

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

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2022. The Service Provider is headquartered in Erie, Pennsylvania, and provides internal connections and basic maintenance services to customers located in Pennsylvania, New York, and Ohio.

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

| Service Type | Amount Committed | Amount Disbursed |
|---|---------------------------|---------------------------|
| Internal Connections | \$2,949,343 | \$2,853,554 |
| Basic Maintenance of Internal Connections | \$5,932 | \$5,896 |
| Total | <u>\$2,955,275</u> | <u>\$2,859,450</u> |

The “amount committed” total represents 45 FCC Forms 471, *Description of Services Ordered and Certification Form*, applications submitted by Beneficiaries for FY 2022 that resulted in 86 Funding Request Numbers (FRNs). We selected a sample of 25 of the FRNs,² which represent \$1,563,145 of the funds committed and \$1,536,158 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

We obtained an understanding of the Service Provider’s processes and the internal controls governing its participation in the E-Rate program. We conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether the equipment requested by the selected Beneficiaries was eligible for reimbursement from the E-Rate program and whether the Service Provider had provided the equipment in accordance with FCC Rules. We obtained an understanding of the Service Provider’s operations and background.

B. Competitive Bidding Process

We reviewed the Service Provider’s contracts with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the equipment requested and purchased by the selected Beneficiaries to determine whether the Service Provider provided the equipment that the selected Beneficiaries requested in their FCC Form 471s. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged for similar equipment provided to similarly situated non-residential customers.

² Our sample included FRNs 2299013222, 2299017618, 2299022023, 2299022032, 2299022938, 2299022952, 2299023083, 2299023087, 2299023094, 2299023162, 2299023168, 2299023188, 2299023191, 2299023250, 2299023562, 2299025859, 2299017355, 2299017857, 2299026397, 2299021628, 2299026535, 2299046668, 2299013319, 2299017774, and 2299017361.

C. Invoicing Process

We reviewed the FCC Form 474s, *Service Provider Invoice* (SPI) Forms, for which USAC disbursed payment to determine whether the equipment identified on the SPI Forms and corresponding Service Provider bills was consistent with the terms and specifications of the Service Provider's contracts and was eligible in accordance with the E-Rate Eligible Services List. We also examined documentation to determine whether the Beneficiary paid its non-discounted share to the Service Provider in a timely manner

D. Site Visits

We performed virtual site visits of selected Beneficiaries to evaluate the location and use of equipment for which the Beneficiary had requested funding to determine whether the equipment was installed and located in eligible facilities.

E. Reimbursement Process

We obtained and examined the SPI Forms that the Service Provider submitted to USAC for reimbursement for the equipment delivered to the selected Beneficiaries, then performed procedures to determine whether the Service Provider had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the SPI Forms for equipment provided to the selected Beneficiaries. We also determined whether the Service Provider billed the selected Beneficiaries for only the non-discount portion of the cost, or if the Service Provider issued credits on its bills to the selected Beneficiaries.

Detailed Audit Findings

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

Condition

One selected Beneficiary, Erie 1 BOCES, received but did not install \$421,500 in internal connections equipment by the FY 2022 E-Rate non-recurring service implementation deadline of September 30, 2023. The Beneficiary did not submit an extension request to USAC to obtain permission to install the equipment after the deadline or contact USAC for advice on how to handle the delays it encountered while having the internal connection equipment installed. The invoiced costs for the equipment related to five FRNs:

| FRN | Installation Dates | Equipment Costs |
|--------------|---|-------------------------|
| 2299023087 | September 2023 ³ to May 2024 | \$240,765 |
| 2299023094 | February 2024 | \$69,963 |
| 2299023162 | Summer 2024 | \$16,014 |
| 2299023168 | October 2024 | \$79,926 |
| 2299023191 | April 2024 | <u>\$14,832</u> |
| Total | | <u>\$421,500</u> |

Cause

The Beneficiary did not have sufficient controls in place to ensure that it either installed equipment by the FY service delivery deadline or requested a service delivery extension from USAC upon determining that the equipment would not be installed by the deadline.

Effect

The monetary effect for this finding is \$337,200 (\$421,500 multiplied by the Beneficiary's 80 percent discount rate). We do not recommend recovery because the equipment was subsequently installed.

| Support Type | Pre-Discount Amount | Discount Rate | Monetary Effect | Recommended Recovery |
|--|-------------------------|---------------|-------------------------|----------------------|
| Internal Connections FRN 2299023087 | \$240,765 | 80% | \$192,612 | \$0 |
| Internal Connections FRN 2299023094 | \$69,963 | 80% | \$55,970 | \$0 |
| Internal Connections FRN 2299023162 | \$16,014 | 80% | \$12,811 | \$0 |
| Internal Connections FRN 2299023168 | \$79,926 | 80% | \$63,941 | \$0 |
| Internal Connections FRN 2299023191 | <u>\$14,832</u> | 80% | <u>\$11,866</u> | <u>\$0</u> |
| Total | <u>\$421,500</u> | | <u>\$337,200</u> | <u>\$0</u> |

Recommendation

We recommend that the Beneficiary develop policies and procedures to ensure that it installs E-Rate-funded equipment by the applicable non-recurring service implementation deadline or requests a service implementation extension from USAC if it is unable to install equipment by the implementation deadline established for the FY.

³ The Beneficiary could not identify the specific equipment installed prior to the FY 2022 non-recurring service implementation deadline of September 30, 2023. The Beneficiary provided a fixed asset listing that showed that all items of equipment had been installed from September 2023 to May 2024. On October 29, 2024, we requested that the Beneficiary identify the equipment installed prior to September 30, 2023. On November 20, 2024, the Beneficiary responded that its technicians think that a few of the switches may have been installed before September 30, 2023 but they could not identify the specific switches. Accordingly, we included all equipment in this FRN in this finding.

Beneficiary Response

We disagree with this finding. First, the BOCES did not violate the E-Rate rules as the equipment was delivered by the service provider by the service delivery deadline. Second, even if the installation was late, the Federal Communications Commission has directed USAC not to recover funds for E-Rate equipment that was installed after the deadline; therefore the auditor's recommendation that USAC seek recovery of the funding is incorrect and should not be included in the audit report.

First, the E-Rate service delivery deadline applies to the service the applicant was purchasing with E-Rate funds. In this case, we used E-Rate funding only to purchase the equipment for these FRNs from the vendors; we did not request or receive E-Rate funding for installation of the equipment. The E-Rate service the BOCES sought funding for was delivery of the equipment only. All the equipment was delivered to us by the E-Rate service delivery deadline. Therefore, the delivery complied with E-Rate program rules. To our knowledge, the FCC has not specified that all equipment must be installed by the service delivery deadline in situations where E-Rate funding is not paying for the installation. Because the installation was not an E-Rate service, we did not apply for an extension of the E-Rate service delivery deadline; we had no reason to believe that extensions were necessary.

As for the recommendation that USAC should seek recovery of the funding, in 2009, the Commission provided formal guidance to USAC on situations where USAC finds equipment was not being utilized and whether recovery was required. See Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau, FCC, to Scott Barash, Acting Chief Executive Officer, USAC, CC Docket No. 02-6, Letter, 24 FCC Rcd 417 (WCB 2009) (Table C Letter). In its letter, the Bureau explained that USAC should not seek recovery when applicants installed equipment after the delivery deadline. The Bureau noted that, for example, in situations where equipment had not been installed because of personnel issues, but was subsequently installed, recovery would not be warranted.

In this situation, that is exactly what has happened. We are a consortium serving 100 school districts and more than 300 school sites. We have a network technical team that installs the equipment at the individual district sites. Given this, there can be a delay in some instances between when items were received and when they are hooked up at the final end sites. We have to coordinate not only our tech schedules but also the districts' schedules. Most districts want equipment installed over the summer, but depending on how much equipment there is, that is not always possible. Districts usually do not want installations done during school days as this would disrupt learning. We usually do most installations only during breaks when school is not in session.

As in the example the FCC gave in the Table C Letter, we similarly have had issues with staffing. Over the past two years, we have had two senior technicians leave, and it took time to replace them with qualified candidates. We then had to train these replacements, which further added to our delay in getting all the equipment installed.

All of the equipment that might not have been installed by the service delivery deadline has now been installed, as the auditors acknowledge in the chart above. Therefore, consistent with the

Commission's directive not to seek recovery in this exact situation, at a minimum, the auditors should not recommend to USAC that it seek recovery of the funding. If the auditors retain this recommendation, USAC cannot follow it, as such an action would be directly contradicted by the FCC's stated policies, and USAC cannot interpret the rules or make its own policies.

Auditor Response

E-Rate program regulations (47 C.F.R. § 54.507(d) (4)) require that non-recurring services (such as internal connections) be implemented (installed) by the service deadline of September 30 of the following funding year. For FY 2022, the non-recurring service implementation deadline was September 30, 2023. Thus, the fact that the Service Provider delivered the equipment before the non-recurring service implementation deadline is not relevant, as the internal connections were not implemented (installed) by September 30, 2023. It was the Beneficiary's responsibility to ensure that E-Rate funded equipment was installed by the deadline, or, if that was not possible, to request an extension to the FY 2022 implementation deadline from USAC. While FCC guidance permits USAC to consider the circumstances of a Beneficiary's failure to install non-recurring services before the service delivery deadline prior to recovery, the Beneficiary did not inform USAC of its challenges by requesting a service extension.⁴ Accordingly, we did not change our finding that the Beneficiary did not install their equipment timely or ask for a service extension as required by the Rules.

However, because the equipment has subsequently been installed, we removed the recommendation for recovery, pursuant to FCC's Table C Recovery Letter.

Finding No. 2, 47 C.F.R. § 54.504(a) (2021) – Beneficiary Installed Equipment at a Location Not Included in its FCC Form 471

Condition

One selected Beneficiary, Erie 1 BOCES, installed E-Rate-funded equipment at a location for which it did not request E-Rate funding. Specifically, the Beneficiary installed two switches totaling \$6,500 at School 4 of the Dunkirk City School District (Entity #15093), which the Beneficiary did not include as a recipient on its FCC Form 471 for FRN 2299023562.

Cause

The Beneficiary did not have sufficient controls in place to ensure that it only installed equipment at locations for which it had requested E-Rate funding.

Effect

The monetary effect for this finding is \$5,525 (\$6,500 multiplied by the Beneficiary's 85 percent discount rate). However, we do not recommend recovery because School 4 is an eligible entity.

⁴ Universal Service Administrative Company, E-Rate| Applicant Process| Before You're Done| Service Delivery, <https://www.usac.org/e-rate/applicant-process/before-you're-done/service-delivery/> (last visited March 13, 2024).

| Support Type | Monetary Effect | Recommended Recovery |
|-------------------------------------|-----------------|----------------------|
| Internal Connections FRN 2299023562 | \$5,525 | \$0 |

Recommendation

We recommend that the Beneficiary develop policies and procedures to ensure that it only installs equipment at locations for which it has requested E-Rate funding.

Beneficiary Response

We disagree with the auditor's finding and stated recommendation as they are not consistent with FCC program rules. We acknowledge the omission of the school from our Form 471. However, the omission was a ministerial and clerical error, and the FCC has directed USAC to add the omitted entity to the FCC Form 471 to the application under these circumstances, even after the deadline for making changes to the form. See Modernizing the E-Rate Program for Schools and Libraries, WC Docket No. 13-184, Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, 8955-56 ¶ 218 (2014) (First Modernization Order) ("[A]n applicant can add eligible schools within its district that were inadvertently omitted from its applications, even after the deadline for making changes to the FCC Form 471."). As such, consistent with the FCC's directive, USAC should add the location that was inadvertently omitted and, once the entity is added, there is no violation, and therefore, no audit finding.

Even if there were a violation of the rules, the FCC has also told USAC at least twice that it should not seek recovery of funding in these situations. See Table C Letter, 24 FCC Rcd at 418 (directing USAC to give applicants "an opportunity to show that the omission of [an] entity from the FCC Form 471 was a ministerial or clerical error," and stating that "[i]f such entity would otherwise be eligible, then recovery is not warranted") and First Modernization Order, 29 FCC Rcd at 8955-56 ¶ 218 ("[A]n applicant can add eligible schools within its district that were inadvertently omitted from its applications, even after the deadline for making changes to the FCC Form 471.").

Even if the auditor identifies the inadvertent omission as a finding, it should not recommend to USAC that it seek recovery of the funding. As noted above, if the auditors make such a recommendation, USAC cannot follow it as such an action is directly contradicted by the FCC's prior rulings.

Auditor Response

E-Rate program regulations require the Beneficiary to submit accurate and complete forms to USAC for processing, and state that USAC may not add entities to an FCC Form 471, absent an applicant request.⁵ As the Form 471 error was uncovered after the close of the application filing window, and after the Beneficiary received its Funding Commitment Decision Letter, submitted

⁵ See e.g. *Request for Review of a Decision of the Universal Service Administrator by Archer Public Library*, CC Docket No. 02-6, Order, DA 08-2381, para. 4 (WCB 2008) (*Archer Public Library Order*) (USAC reviews the FCC Form 471 to verify the accuracy of discount percentages and ensure that support is committed only for eligible products and services.”).

its FCC Form 486, and requested reimbursement,⁶ we did not change our finding that the Beneficiary installed equipment at a location not included in its Form 471.

However, because School 4 of the Dunkirk City School District (Entity #15093) is an eligible entity, we removed the recommendation for recovery, pursuant to FCC's Table C Recovery Letter.

Criteria

| Finding | Criteria | Description |
|---------|---|---|
| 1 | 47 C.F.R. § 54.507(d) (4) (2021) | <i>(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year.</i> |
| 1, 2 | Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau, FCC, to Scott Barash, Acting Chief Executive Officer, USAC, CC Docket No. 02-6, Letter, DA 09-86 (WCB 2009) ("Table C" Recovery Letter). | [The Commission provided formal guidance to USAC on situations where USAC finds equipment was not being utilized or services were delivered to an entity not listed on the FCC Form 471 and whether recovery was warranted.] |
| 2 | 47 C.F.R. § 54.504 (2021) | <i>a) Filing of the FCC Form 471. An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart shall, upon entering into a signed contract or other legally binding agreement for eligible services, submit a completed FCC Form 471 to the Administrator.</i> <i>(1) The FCC Form 471 shall be signed by the person authorized to order eligible services for the eligible school, library, or consortium and shall include that person's certification under oath that:</i> <i>(i) The schools meet the statutory definition of "elementary school" or "secondary school" as defined in § 54.500 of this subpart, do not operate as for-profit businesses, and do not have endowments exceeding \$50 million.</i> |

⁶ See *Application for Review of a Decision of the Wireline Competition Bureau by Sioux Falls School District 49-5*, CC Docket No. 02-6, Order, FCC 20-113, para. 4 (2020) (*Sioux Falls School District Order*) ("Ministerial- and clerical-type errors may be corrected after the form is submitted but before USAC issues a Funding Commitment Decision Letter").

| Finding | Criteria | Description |
|---------|--|--|
| 2 | <p><i>Archer Public Library Order, CC Docket No. 02-6, Order, DA 08-2381, at paras. 3-4 (WCB 2008)</i></p> | <p>3. Under the Commission's rules, USAC implements an initial filing period, or filing window, for the FCC Form 471 applications, and USAC treats all schools and libraries applications filed within that period as simultaneously received. Upon receipt and successful data entry of an FCC Form 471, USAC issues an FCC Form 471 receipt acknowledgement letter (RAL) to both the applicant and the service provider to confirm receipt of a timely filed FCC Form 471 and certification. Currently, if data entry or ministerial errors have occurred during the FCC Form 471 application process, applicants may make allowable corrections to their FCC Form 471 within 15 days of the date of the FCC Form 471 RAL without submitting a new FCC Form 471 application. Absent a ministerial or clerical error on the part of USAC or the applicant, changes that increase the amount of support requested or that add services not initially requested have generally only been allowed if an applicant submits a new FCC Form 471 application prior to the close of the filing window deadline.</p> <p>4. Upon successful submission of an FCC Form 471 application, USAC reviews the FCC Form 471 to verify the accuracy of discount percentages and ensure that support is committed only for eligible products and services. This review is known as the Program Integrity Assurance (PIA) review. If an applicant is contacted during PIA review, it will typically be asked to provide or substantiate information on a form that the applicant has submitted to USAC. After the FCC Form 471 application has been processed, USAC then issues a funding commitment decision letter (FCDL) indicating the funding, if any, the applicant is approved to receive.</p> |
| 2 | <p><i>Sioux Falls School District Order, CC Docket No. 02-6, Order, FCC 20-113, at para. 4 (2020)</i></p> | <p>4. Beginning in funding year 2016, E-Rate applicants were required to submit their FCC Form 471 applications using the E-Rate Productivity Center (EPC), USAC's web-based account and application management portal for the E-Rate program. Using this system, applicants enter their FCC Form 471 information online and complete the application process by certifying that they are complying with the program's rules and requirements. Upon submission</p> |

| Finding | Criteria | Description |
|---------|----------|--|
| | | <p><i>of a completed FCC Form 471 application, USAC issues a receipt acknowledgement letter to both the applicant and the service provider to confirm receipt of a timely filed form. Ministerial- and clerical-type errors may be corrected after the form is submitted but before USAC issues a Funding Commitment Decision Letter, either through what is known as the receipt acknowledgement letter modification process in EPC or during Program Integrity Assurance (PIA) reviews (i.e., the review process USAC uses to verify the completeness and accuracy of an applicant's FCC Form 471 submission and to ensure overall compliance with E-Rate program rules prior to issuing a Funding Commitment Decision Letter)</i></p> |

Sikich CPA LLC

INFO Item: Audit Released September 2025
Attachment E
1/26/2026

Attachment E

SL2024LR002



Brazoria County Library System

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

USAC Audit No. SL2024LR002

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EXECUTIVE SUMMARY

July 8, 2025

Jenifer Hill, Assistant Director of Library Services
Brazoria County Library System
912 North Velasco Drive
Angleton, TX, 77515

Dear Ms. Hill,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Brazoria County Library System (Beneficiary), Billed Entity Number (BEN) 141320, for Funding Year 2022, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with 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 two 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.

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

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

Sincerely,



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

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



AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

| Audit Results | Monetary Effect | Recommended Recovery | Recommended Commitment Adjustment |
|--|-----------------|----------------------|-----------------------------------|
| Finding #1: 47 C.F.R. § 54.504 (f)(4)-(5) (2021), FCC Form 473 Service Provider Annual Certification (SPAC) Form at Block 2 and FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for a Location Not Included on the FCC Form 471. The Service Provider invoiced the E-Rate program for services delivered to a location not listed on the FCC Form 471. | \$4,608 | \$0 | \$0 |
| Finding #2: 47 CFR § 54.504(a) (2021) - FCC Form 471 Pricing Not Supported by Executed Contract. The Beneficiary filed a FCC Form 471 with pricing that did not match the signed contract. | \$4,608 | \$0 | \$4,608 |
| 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. The Service Provider billed the Beneficiary 100 percent of the cost of services, instead of the non-discounted portion, as required by the SPI method. | \$0 | \$0 | \$0 |
| Total Net Monetary Effect | \$9,216 | \$0 | \$4,608 |

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 2299019026 | USAC Commitment Adjustment and/or Recovery Action | Rationale for Difference (if any) from Auditor Recommended Commitment Adjustment and/or Recovery |
|--------------|-------------------|---|--|
| Finding #1 | \$4,608 | \$0 | Funding returned. |
| Finding #2 | \$4,608 | \$4,608 | n/a |
| Other Matter | \$0 | \$0 | n/a |
| Total | \$9,216 | \$4,608 | |

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 | Amount Committed | Amount Disbursed |
|-----------------|---------------------|---------------------|
| Internet Access | \$187,018 | \$169,306 |

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

The committed total represents one FCC Form 471 application, *Description of Services Ordered and Certification Form*, with five Funding Request Numbers (FRNs). AAD selected all five FRNs,¹ which represent \$187,018 (100 percent) of the funds committed and \$169,306 (100 percent) of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2022 application submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a public library system serving the residents of Brazoria County, Texas. Angleton

¹ The FRNs included in the scope of this audit were: 2299019007, 2299019002, 2299019015, 2299019026, and 2299019010.

Independent School District in Angleton, Texas, is the Beneficiary's school district, and thus, this school district's information is used to calculate their discount.

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 inspection of documentation to determine whether the Beneficiary was 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 process the Beneficiary used to calculate its discount percentage and validated its accuracy.

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

B. Competitive Bidding Process

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

C. Invoicing Process

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

D. Beneficiary Location

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

E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR forms and SPI forms for services provided to the

Beneficiary. AAD verified that the services identified on the BEAR forms and SPI forms and corresponding Service Providers' bills were consistent with the terms and specifications of the Service Providers' agreements and eligible in accordance with the E-Rate Eligible Services List.

DETAILED AUDIT FINDINGS AND OTHER MATTER

Finding #1: 47 C.F.R. § 54.504 (f)(4)-(5), FCC Form 473 Service Provider Annual Certification (SPAC) Form at Block 2 and FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for a Location not Included on the FCC Form 471.

CONDITION

AAD obtained and examined the Beneficiary's FCC Form 471, the FCC Form 474 Service Provider Invoice (SPI) forms, and the corresponding Service Provider's (Sparklight) bills to determine whether the services provided to locations invoiced to the E-Rate program were eligible to receive E-Rate support for FRN 2299019026. The Service Provider invoiced the E-Rate program for services delivered to a location not requested or approved on the Beneficiary's FCC Form 471.²

The Service Provider included a charge on its SLC Invoice Numbers 3529559 and 2490945, for \$480 monthly for services provided to the Brazoria County Courthouse.³ However, this location was not on the Beneficiary's approved FCC Form 471, which specifies locations eligible for funding. Thus, the Service Provider invoiced the E-Rate program for services delivered to an unapproved, ineligible location. The monthly pre-discount amount for this ineligible location is \$480. Therefore, the total pre-discounted Ethernet costs billed for the unapproved, ineligible location amounted to \$5,760 (\$480*12), which resulted in an E-Rate overpayment of \$4,608 (\$5,760 * the Beneficiary's 80 percent discount rate).

CAUSE

The Service Provider did not have adequate controls and procedures in place to ensure that only services provided to eligible locations requested in the FCC Form 471 were invoiced to the E-Rate program.⁴

EFFECT

The monetary effect of this finding is \$4,608. This amount represents the funds disbursed by the E-Rate program for the services delivered to an unapproved, ineligible location for FRN 2299019026.

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amount included in the Effect section above.

The Service Provider must implement policies, controls, and procedures to ensure the E-Rate program is invoiced only for the Beneficiary's discounted portion of eligible services and for eligible entities. The Service

² See also 47 C.F.R. § 54.504 (f)(4)-(5).

³ Per inspection of the bills, there is no indication that services were provided to the Beneficiary (i.e., library).

⁴ Response to Audit Inquiries Record (AIR) for FRN 2299019026 received on January 8, 2025.

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/>.

SERVICE PROVIDER RESPONSE

We would like to clarify that the Service Provider has established controls and procedures in place to ensure that only services provided to eligible locations, as requested on the FCC Form 471, are invoiced to the E-Rate program. These controls include internal review protocols, system-based address verification, and cross-referencing service requests with approved E-Rate documentation.

The issue identified was the result of an isolated error by a single employee and is not indicative of a broader process failure. Corrective action has been taken, including employee retraining and reinforcement of existing procedures to prevent similar occurrences in the future.

Additionally, the payment in question—totaling \$4,608—has already been returned to USAC, and we have received confirmation of its receipt. We remain fully committed to compliance with all E-Rate program requirements and to maintaining the integrity of our service and invoicing processes.

BENEFICIARY RESPONSE

The Library System agrees that the Service Provider overbilled USAC for an ineligible site as we have spoken to them and they confirmed this information. The Library intends on submitting BEAR invoices moving forward to ensure that only the appropriate sites and charges are being included for reimbursement.

AAD RESPONSE

Based on the Service Provider's response, AAD confirmed with the USAC E-Rate Invoicing team that the \$4,608 in funds recommended for recovery was refunded to the E-Rate program on June 10, 2025. Therefore, AAD has reduced the original recommended recovery from \$4,608 to \$0.

Finding #2: 47 C.F.R. § 54.504(a) (2021) – FCC Form 471 Pricing Not Supported by Executed Contract

CONDITION

AAD obtained and examined documentation, including the FCC Form 470, Service Provider bids responding to the requested services, FCC Form 471, and signed contracts, to determine whether the Beneficiary demonstrated that it executed a contract or other legally binding agreement prior to submitting its FCC Form 471. AAD identified a discrepancy for FRN 2299019026, Line 3 for the 10 Mbps Ethernet service, the approved rate of \$320, on the FCC Form 471, is higher than the \$160 specified in the contract and corresponding Service Provider bills. This was a multi-year contract signed on June 23, 2021, covering services from July 1, 2021, through June 30, 2024. The FCC Form 471 for Funding Year 2022 was certified on March 3, 2022.

This discrepancy would result in adjusting the commitment downward by \$4,608 (($\$320 - \160) * 3 locations * 12 months * the Beneficiary's 80 percent discount rate), which is the difference between the amount committed in the FCC Form 471 and the actual cost amounts per contract and Service Provider's bill.

CAUSE

The Beneficiary did not have adequate review procedures in place to validate that the Form 471 rates agreed with the contract and, therefore, did not submit a correct FCC Form 471.

EFFECT

The monetary effect of this finding is \$4,608. This amount represents the commitment adjustment to reduce the committed amount by the E-Rate program and the actual cost identified on the contract and of the services billed for the 2022 funding year.

RECOMMENDATION

AAD recommends that USAC Management adjust the commitment downward by \$4,608, which is the difference between the amount committed in the FCC Form 471 and the actual cost amounts per contract and Service Provider's bill.

The Beneficiary must implement a process to review FCC Form submissions to ensure accuracy of the information. AAD also recommends that the Beneficiary familiarize itself with the FCC Rules governing the submission of FCC Form 471. The Beneficiary can learn more about the E-Rate program's training opportunities on USAC's website at <https://www.usac.org/e-rate/applicant-process/applying-for-discounts/funding-requests/> and keep current on E-Rate news at <https://www.usac.org/e-rate/resources/news-brief/>.

SERVICE PROVIDER RESPONSE

N/A - the payment in question—totaling \$4,608—has already been returned to USAC, and we have received confirmation of its receipt.

BENEFICIARY RESPONSE

The Library does have review procedures in place to validate that the Form 471 rates agree with the contract and they did submit a correct Form 471. The issue here is that the service provider did not submit their SPI correctly per the information provided on the Form 471. The Form 471 was filed ONLY for the eligible sites – Danbury, Sweeney and West Columbia Branches. The Form 471 was filed to match the proposed services (proposed pricing was previously provided) exactly at these 3 sites. Line Item 1 was filed for 500Mbps Public Internet at Danbury in the amount of \$375.00 per month for the 1 site. Line Item 2 was filed for 100 Mbps Public Internet Access at Sweeney and West Columbia in the amount of \$580.00 per site per month. Line Item 3 was filed for 10Mbps Staff Internet Access for \$320.00 per site per month. The Courthouse and the \$480.00 does not appear on the Form 471 at all. The Courthouse does not even have an entity number in EPC as the library is aware it is ineligible. Therefore, the Form 471 was filed correctly by the Library System and its consultants and it matches the

proposed pricing at the 3 eligible sites only. The proposed pricing will be uploaded to Box again to confirm that the pricing matches the FRN.

AAD RESPONSE

Based on the Service Provider's response, AAD confirmed with the USAC E-Rate Invoicing team that the \$4,608 in funds recommended for recovery was refunded to the E-Rate program on June 10, 2025. However, AAD's recommendation regarding downward adjustment remains unchanged, as this relates to the over-commitment of funds due to higher pricing on the 471 than invoiced by the Service Provider.

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's bills to determine whether the Service Provider (Sparklight) only billed the Beneficiary for the non-discount portion of costs on the bills, plus the costs of any ineligible services. Specifically, for Funding Year 2022, the Beneficiaries elected to receive E-Rate reimbursement from USAC for the following FRNs using the Service Provider Invoice (SPI) method⁵ at the following discount rate:

| FRN | Discount |
|------------|----------|
| 2299019026 | 80% |

Under the SPI method, service providers bill the Beneficiary for the non-discounted share of costs for eligible services (and the cost 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 only 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.⁶ However, in this case, the Service Provider instead billed the Beneficiary for the full pre-discount costs of services for the FRN listed in the table above, rather than only the Beneficiary's non-discounted share of the cost (plus the costs of any ineligible services). After the Service Provider received reimbursement for the discounted share of the costs from USAC, it posted a credit for the same amount to the Beneficiaries' accounts to be applied to future billing periods.

⁵ *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); *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).

⁶ *Id.*

CAUSE

The Service Provider did not demonstrate sufficient knowledge of the FCC Rules establishing the SPI method process and did not have adequate controls and procedures to ensure that the Beneficiary is billed only for the discounted costs approved by USAC.⁷

EFFECT

As a result of the improper use of the SPI method described above, the Service Provider charged and collected more than the Beneficiaries' non-discounted portion of the costs for the eligible equipment and services during the period in question. However, there is no monetary effect since the Service Provider ultimately passed through the SPI payments and applied E-Rate credits to the Beneficiaries' subsequent bills. AAD notes that, by selecting the SPI reimbursement method, the Beneficiaries were 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.⁸ 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.⁹

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/>. 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

We would like to clarify that the Service Provider is fully aware of the FCC rules governing the Service Provider Invoice (SPI) method and has a strong understanding of the associated processes. We have established policies and procedures to ensure that beneficiaries are billed only for their non-discounted share of approved E-Rate services.

As noted during the previous audit, the situation in question arose due to a change in the customer's account structure. Initially, the E-Rate discounts were applied to a consolidated account hierarchy per the customer's original request. However, the customer later decided to maintain the accounts separately. In response, the SPI discounts were appropriately transferred to the correct, individual accounts to reflect this change.

⁷ Response to Audit Inquiries Record (AIR) for FRN 2299019026 received on June 5, 2024.

⁸ 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.

⁹ See *Second Report and Order*, FCC 03-101, at para. 47 (citing to the *First Universal Service Order*).



We have internal controls in place to ensure SPI invoicing is accurate and aligned with approved funding commitments, including safeguards to bill only the non-discounted portion to the beneficiary. This instance was managed in accordance with those policies, and adjustments were made based on the customer's evolving preferences.

We remain committed to compliance with all E-Rate program requirements and to maintaining clear, documented processes that support accurate billing and accountability.

BENEFICIARY RESPONSE

The Library agrees with this finding and intends on filing BEAR invoices moving forward so that only the correct amounts and sites are included in the reimbursement

AAD RESPONSE

AAD reviewed the responses from the Service Provider and Beneficiary. AAD acknowledges that changes to the billing structure can occur. However, the Service Provider should only bill the non-discount and ineligible services portion of the costs when using the SPI method of invoicing.¹⁰ Discounts should not be applied to other accounts, even if the net effect is zero.

CRITERIA

| Item | Criteria | Description |
|----------------|--|---|
| Finding #1 | 47 C.F.R. 54.504 (f)(4)-(5) (2021) | <p>The service provider listed on the FCC Form 473 certifies that the invoices that are submitted by this Service Provider to the Billed Entity for reimbursement pursuant to Billed Entity Applicant Reimbursement Forms (FCC Form 472) are accurate and represent payments from the Billed Entity to the Service Provider for equipment and services provided pursuant to E-rate program rules.</p> <p><i>The FCC Form 473 shall be signed by an authorized person and shall include that person's certification under oath that: ... The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i></p> |
| Finding #1, #2 | Universal Service for Schools and Libraries, Service | <p><i>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by the Service Provider contain requests for universal service support for services which have been billed to</i></p> |

¹⁰ See *First 2014 E-Rate Order*, FCC 14-99, at para. 235



| Item | Criteria | Description |
|---------------|--|---|
| | Provider Annual Certification (SPAC) Form, FCC Form 473, at Block2 (2021) | <p><i>the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i></p> <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p><i>11. I certify that the bills or 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.</i></p> <p><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i></p> |
| Finding #1,#2 | Schools and Libraries Universal Service, Service Provider Invoice Form, FCC Form 474, at Block 3 (2021). | <p><i>I declare under penalty of perjury that the forgoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (Form 474) and acknowledge to the best of my knowledge, information and belief as follows:</i></p> <p><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in denial of discount funding and/or cancellation of funding commitments.</i></p> <p><i>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.</i></p> |
| Finding #2 | 47 CFR § 54.504(a) (2021) | <p>Filing of the FCC Form 471. An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart shall, upon entering into a signed contract or other legally binding agreement for eligible services, submit a completed FCC Form 471 to the Administrator.</p> |
| Other Matter | Modernizing the E-Rate Program for | Applicants also have the option of using the Service Provider Invoicing (SPI) process. Under the SPI process the applicant |



| Item | Criteria | Description |
|--------------|---|--|
| | <i>Schools and Libraries, WC Docket No. 13-184, Order, FCC 14-99, para. 234 n.567, 235 (2014) (First 2014 E-Rate Order).</i> | <p>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.</p> <p>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.</p> |
| | | |
| Other Matter | Federal-State Joint Board On Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157, para. 586 (1997) (<i>Universal Service Order</i>). | [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 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 <i>Universal Service Order</i> 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 |

| Item | Criteria | Description |
|--------------|---|--|
| | | 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 | 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 | Service Provider Invoice (SPI) Form Certification, FCC Form 474, Block 3 (2021) | 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.

INFO Item: Audit Released September 2025
Attachment F
1/26/2026

Attachment F

SL2023LR018

*Limited Scope Performance Audit
of
Department of Management Services'*

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

for Funding Year 2021

Conducted for:

Universal Service Administrative Company

USAC Audit No. SL2023LR018


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

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Executive Summary

September 22, 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Department of Management Services (Beneficiary), Billed Entity Number (BEN) 17001621, using the regulations set forth in 47 C.F.R. Part 54, and other program requirements governing the federal Universal Service E-Rate program (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary'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 competitive bidding process undertaken to select Service Providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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

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

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

Regis & Associates, PC

Sincerely,
Regis & Associates, PC
Washington, DC
September 22, 2025

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

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 2021 (audit period):

| Service Type | Amount Committed | Amount Disbursed |
|--|--------------------|--------------------|
| Data Transmission and/or Internet Access | \$5,620,241 | \$5,118,744 |
| Internal Connections | \$1,620,655 | \$800,881 |
| Total | \$7,240,896 | \$5,919,625 |

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

The committed total represents thirty-two FCC Form 471 applications, *Description of Services Ordered and Certification Form*, with thirty-three Funding Request Numbers (FRNs). We selected nine FRNs of the thirty-three FRN,¹ which represent \$4,880,583 of the funds committed and \$3,899,887 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2021 applications submitted by the Beneficiary.

Background

The Department of Management Services (DMS) is the business arm of the Florida government. DMS, through the Division of Telecommunications, provides contracts for voice and data services to agency customers, serves as the lead agency for the State of Florida's E-Rate consortium, and manages the state's public safety communications. As a statewide consortium, DMS supports eligible schools and libraries across Florida in applying for and securing E-Rate funding, which helps reduce the cost of internet access and internal connections necessary for digital learning and library services.

Through centralized coordination, DMS' E-Rate team streamlines the application process, provides technical assistance, and ensures compliance with E-Rate program rules established by the FCC and administered by USAC. By leveraging its consortium status, DMS helps participating entities achieve cost efficiencies and expanded access to high-speed broadband services essential for education and community engagement.

¹ The FRNs included in the scope of this audit were: 2199003022, 2199004883, 2199035787, 2199038076, 2199009111, 2199032934, 2199057387, 2199030406, and 2199049527.

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 and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validate 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 member school districts' Internet Safety Policy (ISP). We obtained an understanding of the process by which the Beneficiary's member school districts communicated and administered the policies.

B. Competitive Bidding Process

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

C. Invoicing Process

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

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 which 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 Service Provider bills associated with the BEAR and SPI Forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR and SPI Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements, and eligible in accordance with the E-Rate Eligible Services List.

** This concludes the audit report.**

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Report Released: November 2025.

| Entity Name | Number of Findings | Significant Findings | Amount of Support | Monetary Effect | USAC Management Recovery Action | Commitment Adjustment | Entity Disagreement |
|----------------------------------|--------------------|----------------------|-------------------|-----------------|---------------------------------|-----------------------|---------------------|
| Attachment G ZippyTech | 0 | • Not applicable. | \$49,330 | \$0 | \$0 | \$0 | N/A |
| Total | 0 | | \$49,330 | \$0 | \$0 | \$0 | |

INFO Item: Audit Released November 2025
Attachment G
1/26/2026

Attachment G

SL2025SP018

*Limited Scope Performance Audit
of
ZippyTech'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. SL2025SP018

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Washington, DC 20005

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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

October 30, 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of ZippyTech (Service Provider), Service Provider Identification Number (SPIN) 143028023 for Funding Year 2023, using regulations and orders governing the federal Universal Service E-Rate Program, set forth in 47 C.F.R. Part 54, and other program requirements (collectively, the Federal Communications Commission Rules (FCC) Rules). Compliance with the relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit.

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 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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period. Regis & Associates, PC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Regis & Associates, PC, USAC, or FCC verification, audit, or investigation.

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

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

October 30, 2025

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

Background, Objective, Scope, and Procedures

Purpose

The objective of this performance audit was to determine whether the Service Provider complied with the applicable 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 Transmission and/or Internet Access | \$71,438 | \$49,330 |

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*, Description of Services Ordered and Certification Form, (applications with five Funding Request Numbers (FRNs). We selected two FRNs¹ of the four funded FRNs which represent \$27,960 of the funds committed and \$27,436 of the funds disbursed for the audit period, to perform the procedures enumerated below with respect to the Funding Year 2023 applications submitted by the selected Beneficiaries.

Background

Zippytech, operating under the trade name Cedar Networks, is a telecommunications provider based in Durango, Colorado. Established in 2002, the company offers internet connectivity services within the telecommunications sector, serving markets in Colorado's Western Slope and northwestern New Mexico.

¹ The FRNs included in the scope of this audit are: 2399017825 and 2399003436

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 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 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* (SPIs) 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. Specifically, we reviewed service provider bills associated with the SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider 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.

** This concludes the audit report.**

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

| Entity Name | Number of Findings | Significant Findings | Amount of Support | Monetary Effect | USAC Management Recovery Action | Commitment Adjustment | Entity Disagreement |
|---|--------------------|----------------------|--------------------|-----------------|---------------------------------|-----------------------|---------------------|
| Attachment H Hamblen County School District | 0 | • Not applicable. | \$1,277,645 | \$0 | \$0 | \$0 | N/A |
| Attachment I Treasure Lake L.P. | 0 | • Not applicable. | \$6,242,522 | \$0 | \$0 | \$0 | N/A |
| Total | 0 | | \$7,520,167 | \$0 | \$0 | \$0 | |

INFO Item: Audit Released December 2025
Attachment H
1/26/2026

Attachment H

SL2025R009

*Limited Scope Performance Audit
of
Hamblen County School District'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. SL2025LR009


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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

EXECUTIVE SUMMARY

November 21, 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Hamblen County School District (Beneficiary), Billed Entity Number (BEN) 128371, using regulations set forth in 47 C.F.R. Part 54 and orders governing the federal Universal Service E-Rate Program, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules, based on our limited scope performance audit.

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

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

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

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

Sincerely,

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

November 21, 2025

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

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

Purpose

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

Scope

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

| Service Type | Amount Committed | Amount Disbursed |
|--|-----------------------|-----------------------|
| Data Transmission and/or Internet Access | \$894,240 | \$869,721.60 |
| Internal Connections | \$407,923.95 | \$407,923.54 |
| Total | \$1,302,163.95 | \$1,277,645.14 |

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

The committed total represents twenty-one FCC Form 471 applications, *Description of Services Ordered and Certification Form* with twenty-one Funding Request Numbers (FRNs). We selected four FRNs¹, which represent \$ 980,129.69 of the funds committed and \$ 975,770.89 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2023 applications submitted by the Beneficiary.

Background

The Beneficiary is a public school district located in Morristown, Tennessee that serves over 10,349 students.

Procedures

We performed the following procedures:

A. Application Process

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

¹ The FRNs included in the scope of this audit were: 2399006999, 2399006997, 2399035629 and 2399007007.

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

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

B. Competitive Bid Process

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

C. Invoicing Process

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

D. Site Visit

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

E. Reimbursement Process

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

** This concludes the audit report.**

INFO Item: Audit Released December 2025
Attachment I
1/26/2026

Attachment I

SL2025SP015

*Limited Review Performance Audit
of
Treasure Lake, LP'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. SL2025SP015

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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

December 3, 2025

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

Dear Ms. Delmar:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Treasure Lake, L.P. (Service Provider), Service Provider Identification Number (SPIN) 143035537 for Funding Year 2023, 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 relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited review 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 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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period. Regis & Associate, PC determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Regis & Associate, 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
December 3, 2025

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

Background, Objective, Scope, and Procedures

Background

Treasure Lake L.P. provides a range of services, including high-speed internet, digital cable TV, and digital phone services, to both residential and business customers across 22 states in the U.S., and its headquarters are located in Coudersport, Pennsylvania.

Objective

The objective of this performance audit was to determine whether the Service Provider complied with the applicable 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 Transmission and/or Internet Access | \$24,955,366 | \$6,242,522 |

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

The committed total represents forty-four FCC Form 471 applications, *Description of Services Ordered and Certification Form*, with seventy-one Funding Request Numbers (FRNs). We selected eleven FRNs¹ of the funded seventy-one FRNs, which represent \$23,580,365 of the funds committed and \$4,988,054 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.

¹ The FRNs included in the scope of this audit are: 2399035824, 2399034590, 2399035813, 2399035877, 2399036003, 2399035908, 2399035917, 2399035926, 2399035934, 2399035988, and 2399049412.

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

B. Competitive 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 (if applicable) 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. Specifically, we reviewed service provider bills associated with the SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider 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.

** This concludes the audit report.**