Universal Service Administrative Co.

High Cost (Legacy) -- Documentation for Auditors Checklist

Tips to Prepare for a High Cost (Legacy) Audit

1. **Retain all documentation supporting submitted High Cost filings in accordance with FCC rules (at least 10 years from the receipt of funding).[1]**
2. **Upon receiving documentation requests from auditors, prepare the requests in a timely manner and organize the requested documentation by labeling each request according to the documentation request listing**.

General Requirements for all Legacy components

Documentation to support general audit requirements

- Written policies and procedures related to compliance with High Cost program requirements
- Company organizational chart, showing parent and affiliate relationships, as well as the individuals responsible for processing, reviewing, and approving data submitted in High Cost program filings
- Audit reports for financial, internal control, or any other audits that have a direct or indirect impact on data submitted in High Cost program filings
- Documentation to demonstrate that the beneficiary is offering Lifeline services

Loop/Access Line Count Submissions

Documentation of loop/access line count submissions

- Billing summary reports (system generated), including broadband-only loops
- Access line reports

Data Submissions (Cost Companies only)

Documentation supporting data submissions for cost companies

- Cost Studies (Parts 36, 64, and 69) and Cost Study Adjustments
- Annual financial statements
- Trial Balance
- General Ledger (G/L), including account names and identification of regulated and non-regulated accounts
- Expense sub-ledgers, including account names, amount recorded, transaction description, and vendor name for each expense transaction reported in Part 64 data
- Detailed list of affiliate/related-party transactions, including account names, amount recorded, transaction description, and vendor name for each affiliate/related-party transaction reported in Part 64 data (leases, contracts, management agreements, etc.)
- Cost Allocation Manuals (CAMs)

[1] 47 §54.320(b)

- Frozen allocation factors and supporting documentation explaining the frozen factor relationships
- Detailed calculations for all allocation factors used to determine Part 64 data
- Continuing Property Records (CPRs)
- Schedules to demonstrate the clearing of overhead amounts in accounts 6110, 6112, 6113, 6114, 6512, 6534, and 6535 to construction and/or plant-specific operations expense accounts based on direct labor hours
- Power and common spread calculation worksheet
- Cash working capital calculation worksheet
- Depreciation schedules
- Net non-current and current deferred operating income taxes calculation worksheet
- Payroll distribution reports for payroll expense, including a list of employees included in the payroll expense
- Local exchange tariff (or pricing list if no local exchange tariff)
- Network diagrams, Cable, Wire, and Facility (C&WF) studies
- Documents (e.g., invoices, payroll register, timesheets, work orders, engineer's drawings, etc.) supporting the data submitted in High Cost program filings)

Documentation related to Connect America Fund - Broadband Loop Support (CAF-BLS)

- 24 Month Latest View (EC2060-L)
- EC Review Form (Form 509 Data)
- Average monthly broadband-only loops

Documentation related to Connect America Fund - Intercarrier Compensation (CAF-ICC)

- Documentation to support Access Recovery Charge (ARC) projection and true-up
- Documentation to support billed access revenues such as General Ledger (G/L) of revenue accounts
- Local exchange tariff (or pricing list if no local exchange tariff)

Documentation related to Safety Valve Support (SVS)

- Qualification letter for any SVS disbursements received

Data Submissions (Average Schedule Companies only)

Documentation supporting data submissions for average schedule companies

- Same requirements as access line count submissions listed above
- Local exchange tariff (or pricing list if no local exchange tariff)

Documentation related to Connect America Fund - Broadband Loop Support (CAF-BLS)

- 24 Month Latest View (AS2060-L)

- 25 Month Latest View (AS3060-L)
- EC Review Form (Form 509 Data)
- General ledger (G/L), including account names and identification of the accounts with subscriber line charge revenue, line port revenue, and special access surcharge revenue
- Carrier Access Billing Summary (CABS) billing report and bills/invoices

Documentation related to Connect America Fund - Intercarrier Compensation (CAF-ICC)

- Same requirements as for cost companies

Documentation related to Safety Valve Support (SVS)

- Same requirements as for cost companies

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High Cost (Modernized) -- Documentation for Auditors Checklist

Tips to Prepare for a High Cost (Modernized) Audit

1. **Retain all supporting documentation related to all High Cost program filings, submissions to the HUBB, High Cost Program Management verifications, PMM testing results, etc. (at least 10 years from the receipt of funding).**[2]
2. **Upon receiving documentation requests from auditors or engineers, prepare the requests in a timely manner and organize the requested documentation by labeling each request according to the documentation request listing.**
3. **If necessary, alert the local authorities of possible site visit days and potential traffic disruptions.**
4. **Consider the safety of all parties and prepare accordingly.**
5. **Send communications to alert active subscribers that testing will occur, including the potential time frame for testing.**
6. **Upon receiving the sample, confirm the type of broadband deployed technology and active vs. non-active subscriber list, and identify applicable personnel who will be able to assist with the testing.**
7. **Review the map routes, testing tools, and testing methodology provided by the engineering firm.**

General Requirements for High Cost (Modernized) components including CAF II, RBE, ACAM, Revised ACAM, ACAM II, CAF II Auction, and CAF-BLS

Documentation to support general audit requirements

- Documentation related to HUBB submissions of certified locations
- Types of technology deployed for each HUBB certified location
- Documentation demonstrating the eligibility of certified locations
- Documentation demonstrating the provision of service to certified locations
- Documentation to demonstrate that the beneficiary is offering Lifeline services
- Supporting documentation to demonstrate that the selected locations met the minimum public obligation (may include but not limited):
    - Advertising materials
    - Subscriber invoices
    - Screenshots of service availability tool from beneficiaries' websites (showing available download/upload speeds) at each location and the monthly usage allowance
    - Network testing diagrams and reports
    - Public utility maps to support the beneficiary's buildout of broadband service

Frequently Asked Questions (FAQs) Related to High Cost (Modernized) Audits

[2] 47 §54.320(b)

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1. What happens when a sampled location does not have an active subscriber?
    - The sample location will not be replaced, as the beneficiary is required to demonstrate that it can provide service to a location within 10 days. Therefore, the beneficiary must provision a test line for locations with inactive subscribers.

2. Will an active subscriber be taken out of service in order to conduct the test?
    - No, the service to the active subscriber will not be interrupted at all.

3. Is this audit the same as the verifications performed by USAC High Cost Program Management?
    - No, while there may be some common themes, this is an audit that requires an independent assessment. The main difference between USAC Program Management's verifications and AAD's audits are actual site visits to test for compliance of the buildout obligations.

4. How was the sample of locations selected?
    - The sample of locations is a statistically valid sample that was selected by a USAC-procured statistician.

5. Can the engineering firm replace a sample location?
    - No, because the sample is a statistically valid sample, there is no option to remove or change any of the sample locations.

6. What does the test include?
    - Each sample location will be evaluated based on two categories: Key Performance Indicators (KPIs) and geographical location. Each location will be evaluated for download and upload speeds and latency to determine whether the results meet the obligation. In addition, the geolocation (longitude and latitude) of each sample location will be obtained and compared to the geolocation reported in the HUBB to determine whether the HUBB-reported geocodes are accurate. The engineering firm will also obtain geocoded pictures of sample locations for evidence.

7. What will determine whether a location passes or fails?
    - The location must meet the required obligation based on the fund type. For example, for CAF II, the locations must meet the speed test obligation of 10mbps download, 1mbps upload and the latency requirement of less than 100ms. The geocode of the sample location must also be accurate within 36 feet of the coordinates reported in the HUBB.

8. Where will the testing occur to determine whether a location passes or fails?
    - Testing will occur as close as possible to the customer premise without going onto the customer's property – i.e., at the pedestal or terminal nearest the location.

9. Will the staff of the beneficiary be involved?
    - USAC requires that the beneficiary provide a representative to attend/acknowledge all testing locations.

10. How much time will be provided prior to the engineering site visit?

- Because all beneficiaries are required to demonstrate that it can provide service to new customers within 10 days, all beneficiaries subject to audit will be notified at least 10 days prior to the auditors coming onsite.

General Requirements for High Cost (Modernized) components including Uniendo a Puerto Rico (PR) and Connect USVI Fund (VI)

Documentation to support general audit requirements

- Documentation related to HUBB submissions of certified locations, including but not limited to:
  - Evidence of the type of structure to demonstrate that a location is eligible
  - Documented disaster preparation and response plan
  - Documentation to demonstrate how the USF funds were used in accordance with FCC rules and separate from other funding
  - Documentation to support pre- and post-hurricane level reports
  - Documentation supporting network hardenings plans and narratives
  - Documentation to support current service and coverage levels