Common Audit Findings

February 13, 2019
Housekeeping

• Audio is available through your computer’s speakers
• The audience will remain on mute
• Enter questions at any time using the “Questions” box
  • There is a large audience signed in today. We will accept as many questions as possible!
• If your audio or slides freeze, restart the webinar
• Copy of the slide deck in the “handouts” section of webinar panel
Today’s Presenter

Catie Miller  Leah Sorini  Sharonda Ellegood
Agenda

1. Announcements
2. Background
3. Subscribers Outside of Service Area
4. Lack of Documentation or Inadequate Documentation
5. Questions
Announcements
Announcements

• National Verifier web pages have been updated
  • New maps that break up states by launch
  • New Training and Support page
  • New Launches page

• 2019 Federal Poverty Guidelines updated on our website, National Verifier paper application form, and National Verifier web application
Background

Audits
Lifeline Program Audits

• To ensure the highest level of program integrity, USAC conducts audits of service providers.

• The primary purpose of audits is to ensure compliance with Federal Communications Commission (FCC) rules and program requirements as well as to assist in program compliance.

• Audits can be randomly selected or targeted to include a wide variety of entities with regard to size and geographic location.

• Selection for an audit is not necessarily an indication that USAC believes problems exist.

• Audit recommendations are provided to help service providers be successful and compliant!
Who Conducts the Audits?

Beneficiary and service providers audits may be performed by:

- USAC’s internal Audit and Assurance Division (AAD),
- FCC Office of Inspector General,
- Offices of other federal agencies, or
- A firm under contract to USAC or the FCC
- A firm under contract to the ETC (e.g. Biennial audits)

Please contact USAC’s audit team if you have any concerns about the individual(s) contacting you regarding an audit.
Audit Types

USAC’s Lifeline Program Integrity team supports service provider audits, which may be performed by USAC's internal Audit and Assurance Division staff, the FCC Office of Inspector General, offices of other federal agencies, or a firm under contract to USAC or the FCC.

Audit types include:

- Beneficiary and Contributor Audit Program (BCAP)
- Beneficiary and Contributor Audit Program - External (BCAPx)
- Payment Quality Assurance (PQA)
- Office of Inspector General (OIG)

In addition to FCC and USAC audits, service providers meeting the criteria under 47 C.F.R. § 54.420(a) are required to conduct independent biennial audits and report the results to USAC and the FCC.
Audit Process

Planning
- Audit Announcement
- Entrance Conference
- Beneficiary Data Received

Testing
- Documentation Review
- Beneficiary Inquiries
- Sample Selection
- Site Visit [if applicable]

Reporting
- Draft Findings/Other Matters
- Exit Conference
- Audit Survey
- Final Audit Report
Audit Process - Planning

- An announcement letter is sent detailing the purpose and scope of the audit, and
  - identifying the personnel who will be performing the audit,
  - making a request for pertinent documentation, and
  - stating the date upon which the documentation is due.
- Typically, a service provider will be contacted by USAC two to three weeks prior to the start of an audit to assure that the appropriate personnel and documentation will be available.
- The time required to produce documents will vary, depending on the volume, complexity, and accessibility of documents requested.
- The anticipated duration of an audit can also vary depending on the size and dollar value of the support involved.
## Audit Process - Testing

A checklist of general requirements is available on our website.

USAC obtains documentation to support different elements for each program. The materials requested can include the following:

<table>
<thead>
<tr>
<th>BCAP Checklist</th>
<th>PQA Checklist</th>
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</thead>
<tbody>
<tr>
<td>Documentation to support:</td>
<td></td>
</tr>
<tr>
<td>• Service provider eligibility to</td>
<td>• Subscriber listing</td>
</tr>
<tr>
<td>receive Lifeline Program</td>
<td>• Initial Lifeline subscriber enrollment forms and re-certification forms</td>
</tr>
<tr>
<td>support</td>
<td>• Initial Eligibility documentation</td>
</tr>
<tr>
<td>• Subscriber eligibility to receive</td>
<td>• One-per-household worksheets, if applicable</td>
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<tr>
<td>Lifeline Program support</td>
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<tr>
<td>• Lifeline Program support passed</td>
<td></td>
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<tr>
<td>through to subscribers</td>
<td></td>
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<tr>
<td>• Adequacy of advertising efforts</td>
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</table>
Audit Follow-Ups

• In some cases, USAC will use audit follow-up procedures defined by the Office of Management and Budget (OMB) to recover funds that are identified as improper payments.

• A unique case number assigned by USAC is also included in the letter for you to associate all documents and communications related to the assessment.

• Staff are available by phone to assist participants with understanding and fulfilling program requirements.
Questions? Comments?
Common Audit Findings
Subscribers Outside of Service Area
FINDING: Subscribers Outside of Service Area

- To participate in the Lifeline Program, service providers must be designated as an eligible telecommunications carrier (ETC) by their respective state regulatory commission or FCC enabling them to participate in universal service programs.

- ETC Orders list the designated wire centers and underlying providers that comprise the ETC’s designated service area.

- The term service area means a geographic area established by a state commission for the purpose of determining universal service obligations and support mechanisms. Therefore, a service area defines the overall area for which the carrier shall receive support from federal universal service support mechanisms. (see CFR §54.207 Service areas.)
FINDING: Subscribers Outside of Service Area (cont’d)

• This finding occurs when service providers claim eligible subscribers that do not live in their designated service area.
  • Service providers must confirm or validate each subscriber’s physical address in relation to its designated service area.
  • A service provider must obtain an amendment to their ETC designation order before claiming Lifeline support in any service areas not included in the service provider's original designation.

• Finding Examples:
  • The service provider did not have an adequate process in place to determine whether or not a subscriber resides within the boundaries of their designated service area.
  • The service provider did not know that an amended ETC order was required to claim support in any service areas not included in its original designation.
FINDING: Subscribers Outside of Service Area (cont’d)

Service Providers should take steps to ensure an adequate process is in place to determine whether or not a subscriber resides within the boundaries of their designated service area.

- Service providers should:
  - Understand the geographic boundaries established by their ETC designation order to ensure claimed subscribers do not fall outside of those boundaries.
  - Obtain the most current coverage maps
  - Verify their methodology for validating that addresses are within the designated boundary
  - Understand that the expansion of the service area for its underlying carriers does not translate to an automatic expansion of its own ETC designation area
  - Discuss their designated service area periodically with the State/PUC or the FCC
FINDING: Subscribers Outside of Service Area (cont’d)

Service Providers should be aware that an amended ETC order is required to claim support in any service areas not included in its original designation.

• To ensure all claimed subscribers are within the ETC’s designated service area, service providers should consider:
  • Increasing communication with their State/PUC or the FCC regarding service areas to ensure they are only claiming subscribers who reside within those designated service areas.
  • Contacting the state commission to discuss possible options if there are concerns about the service provider’s ability to map their subscribers.
  • Requesting an amendment to their ETC designation order before claiming Lifeline support in any service areas not included in the service provider's original designation.
Questions? Comments?
Common Audit Findings
Lack of Documentation or Inadequate Documentation
FINDING: Lack of/Missing or Inadequate Documentation

• This finding occurs when service providers do not provide requested documentation or provide insufficient documentation.
  • Service providers must maintain records to document compliance with all Commission and state requirements.
  • Service providers should take steps to ensure they have an adequate data retention process in place to retain any documentation collected to demonstrate compliance with the Rules.

• Example finding:
  • The service provider cannot provide a certification form for a subscriber. *Note: This is an example of “lack of” documentation (i.e. missing documentation).*
  • The service provider can provide a portion of a subscriber’s certification, but system limitations prevent the service provider from providing the entire certification. *Note: This is an example of “inadequate” documentation (incomplete or insufficient documentation).*
FINDING: Lack of/Missing or Inadequate Documentation (cont’d)

To prevent this audit finding, service providers should:

• Ensure every effort is made to implement sufficient processes and procedures to collect and retain adequate records to document the collection of all subscriber information required by the rules.

• Prepare and retain a copy of the detailed subscriber listing (that contains all relevant information for each subscriber) and verify this information routinely.
  • This allows the detailed data to be saved and readily available in the event of an audit or review.
  • This detailed documentation should be retained for the duration of the documentation retention period.
FINDING: Lack of/Missing or Inadequate Documentation (cont’d)

Lifeline service providers must maintain records to document compliance with all FCC and state requirements governing the Lifeline and Tribal Link Up programs and

• Must provide documentation to the FCC or administrator upon request, and

• Are recommended to save a copy of the detailed documentation when preparing the summary data for their Lifeline Program filings
  • For example, maintain documentation to support what is reported on the FCC Form 555
  • Subscribers eligible for recertification per month
  • De-enrollments for non-usage per month
  • Successful recertification by type per month

• Examples
  • Snapshot of anniversary dates per month (suggestion: download and save the Detail Active Subscriber Report from NLAD)
  • Results of database queries and other recertification efforts

For more information on eligibility documentation rules, please visit our 2015 and 2016 Lifeline Modernization Order web page.
FINDING: Lack of/Missing or Inadequate Documentation (cont’d)

Service providers should keep these documents to ensure compliance with FCC and state requirements:

• Signed, complete/correct certification (application) form

• Proof of eligibility:
  • If using a database: Data source used, copy of the query results
  • If using a state agency/process: Copy of the state’s eligibility decision
  • Manual check: Copy of the consumer-provided proof of eligibility

• Signed, completed household worksheet (if applicable)

• Proof of identity / proof of address (if you used NLAD dispute resolution)

• Proof of consent (completed application form and eligibility consent), if the subscriber transferred from a different company

• Recertification form (for service provider led process) or recertification results (for USAC-elected)

A documentation checklist is available on our website. Documents must be retained for as long as the subscriber receives service, and no less than the three full preceding calendar years. Note: The Form 497 is for audit periods 2017 or earlier.
FINDING: Lack of/Missing or Inadequate Documentation (cont’d)

• Retention Requirements for Relinquished ETC designations:
  • Service providers that relinquish their ETC designations should still retain documentation for the required period.
  • All ETC Relinquishment Orders should be sent to Lifeline.
Questions? Comments?
Common Audit Findings

• Thank you for joining us!
• Sign up Lifeline Program News
  • Monthly newsletter
  • Visit our subscription center
• Need help? Contact us!
  • General: LifelineProgram@usac.org