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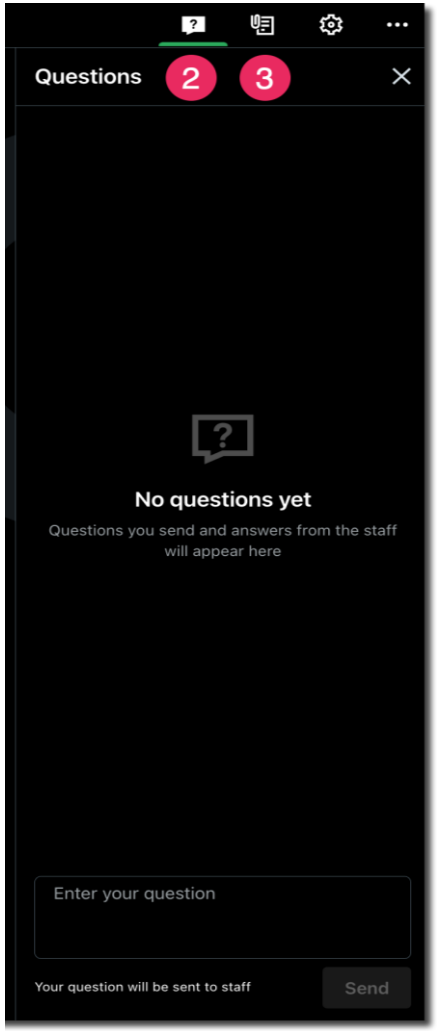
Common Audit Findings for Service Providers

November 12, 2026

Universal Service Administrative Co.

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Meet Our Presenter

Al Cipparone

Senior Telecom Industry Analyst | Contributor Operations

Mr. Cipparone is a member of the 499 team that analyzes revenue reported on the FCC Form 499-A. He has worked at USAC since 2022.

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Agenda

- The Audit Process
- Audit Document Requests
- Fiscal Year 2025 Common Audit Findings
- Questions
- Additional Resources

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The Audit Process

The Audit Process

- The Beneficiary and Contributor Audit Program (BCAP) and Supply Chain Audit Program (SCAP) are designed to assess universal service beneficiaries' and contributors' compliance with Federal Communications Commission (FCC) rules. USAC works closely with the FCC to develop and implement these audit initiatives.
- Planning: If an entity has been selected for an audit, an announcement letter will be sent to the entity's designated point of contact detailing the purpose and scope of the audit.
- Testing: During the audit's testing phase, various areas will be tested (e.g., completeness of revenue, jurisdiction allocation, bundling methodology, etc.)
- Reporting: After testing is completed, an exit conference will be held with the audited entity to review the audit results. If there are any FCC rule violations found during the audit, they will be noted as an audit finding.

Audit Document Requests

Audit Document Requests

- USAC Audit and Assurance Division (AAD) audits are performed by reviewing FCC Form 499-A submissions.
- Timely submission of documents is imperative to audit success.
- Tips for preparing for an AAD audit:
  - Maintain supporting documentation in a separate folder to support each FCC Form 499-A submission.
  - Confirm the revenue numbers reported on FCC Form 499-A submission(s) agree with supporting documentation.
- List of documentation typically requested can be found on our website (https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/).

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Questions?

Fiscal Year 2025 Common Audit Findings

Incorrect Line Reporting (Non-Telecommunications and Information Service Revenues, Private Line Revenues, Interconnected VoIP Revenues)

Relevant FCC Rules

- 47 CFR § 54.709
- 47 CFR § 54.706

Description of Finding

- This finding arises when a contributor misclassifies revenue by reporting it under the wrong line item on the FCC Form 499-A. The contributor may incorrectly report non-telecommunications or non-information services revenue under a telecommunications service line or fail to report revenues from private line services and interconnected Voice over Internet Protocol (VoIP) services correctly. Contributors must accurately classify each revenue type to ensure proper reporting of their contribution base. Misreporting can lead to inaccurate contribution calculations, which could either underreport or overreport the contributions owed to the Universal Service Fund (USF).

Federal USF Pass-Through Recovery Charges on Invoices

Relevant FCC Rules

- 47 CFR § 54.712(a)
- 2026 FCC Form 499-A Instructions, §§ IV.C.3.e

Description of Finding

- Contributors that assess the federal USF fee on their customers may incorrectly collect an amount that exceeds their actual contribution obligation. This situation typically occurs when a contributor applies the USF surcharge to exempt resellers, to intrastate revenues, or to non-telecommunications products, which are not subject to the same contributions as interstate telecommunications services. Additionally, some contributors may fail to update the USF contribution factor in their billing systems, leading to customers being billed incorrectly. Contributors are responsible for ensuring that they are collecting only the appropriate amounts from each customer and should regularly review their billing systems for accuracy to prevent over-collection and potential refunds to customers.

Customer Category – End User vs. Reseller

Relevant FCC Rules

- 27 FCC Rcd 13781-82, para. 3 (Wholesaler-Reseller Clarification Order)
- 12 FCC Rcd 18400, 18507 (Changes to NECA Board Order)
- 2026 FCC Form 499-A Instructions, § IV.C.4.a-e

Description of Finding

- This finding occurs when a contributor erroneously categorizes a customer as a reseller when the customer does not meet the FCC's definition of a reseller. According to FCC rules, a reseller must have a legitimate resale arrangement and should be purchasing services with the intention to resell them to end users. When a contributor incorrectly classifies an end-user as a reseller, it impacts the reporting of revenues, which can lead to incorrect revenue attribution and contribution amounts. Contributors must properly classify resellers and end-users to ensure that only the appropriate revenues are included in the contributor's base for USF purposes.

Uncollectible Revenue/Bad Debt Expense

Relevant FCC Rules

- Contribution Collections Order (FCC 00-118)
- 2002 Contribution Methodology Order (FCC 02-329)
- BT Americas Order, DA 22-812 at para. 1, 6-7, 10-11
- 2026 FCC Form 499-A Instructions, §§ IV.D

Description of Finding

- This finding refers to the omission of uncollectible revenues or bad debt expenses from the contributor's reported revenue on Lines 421, 422, and 513 of FCC Form 499-A. Filers are required to adjust their gross revenues to account for amounts that are uncollectible due to customer non-payment or other financial issues. If a contributor fails to report bad debt expenses, it could lead to an inflated contribution base, resulting in higher-than-required contributions to the USF. Accurately reporting uncollectible revenue is essential to ensuring that the contributor's USF contribution is based on the correct revenue figure. Contributors should establish and follow internal procedures for identifying and documenting uncollectible amounts.

Universal Service Contributions Recovery Revenues

Relevant FCC Rules

- Contribution Collections Order (FCC 00-118)
- 2002 Contribution Methodology Order (FCC 02-329)
- BT Americas Order, DA 22-812 at para. 1, 6-7, 10-11
- 2026 FCC Form 499-A Instructions, §§ IV.C.3.e

Description of Finding

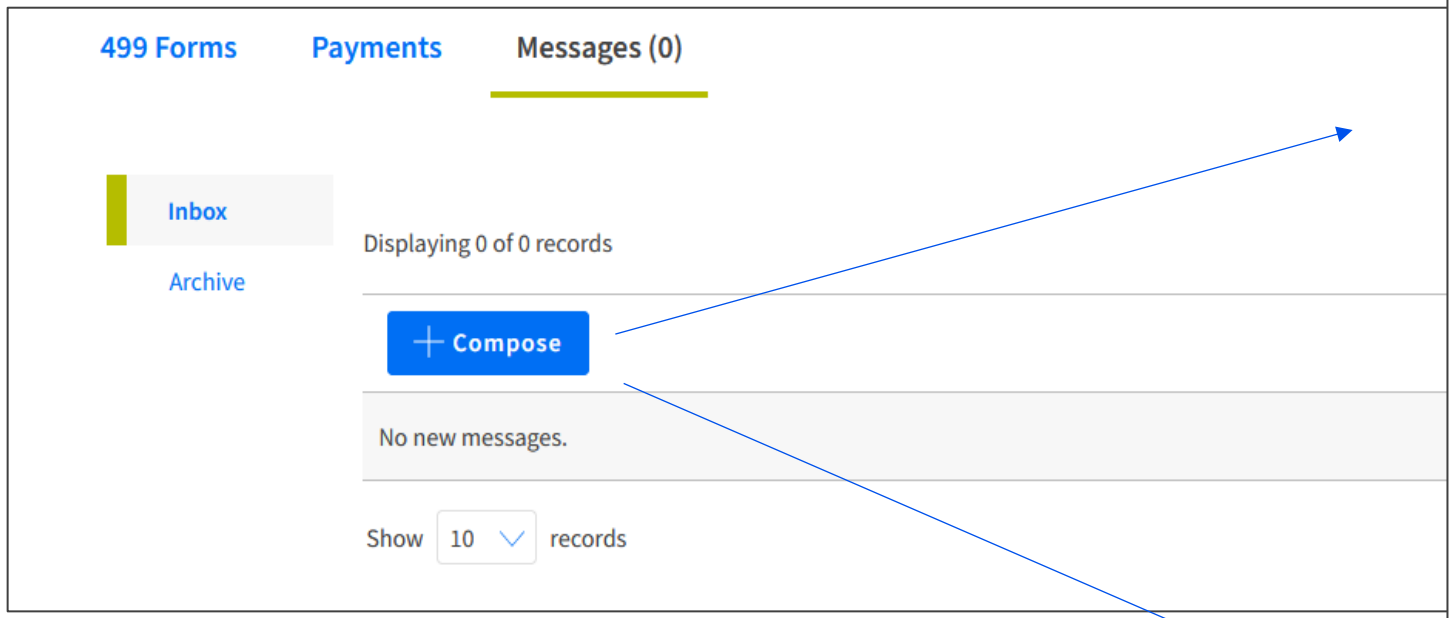
- This finding involves issues related to the collection and reporting of revenues that contributors recover through charges on customers to cover their USF obligations. These recovery charges, which are often passed through to customers, must be reported accurately on the FCC Form 499-A. Contributors may fail to correctly report the full amount of USF contributions recovered through surcharges or omit these recovery revenues altogether. Contributors must properly report these revenues to ensure that both the contributor's financial records and the USF program's accounting are accurate.

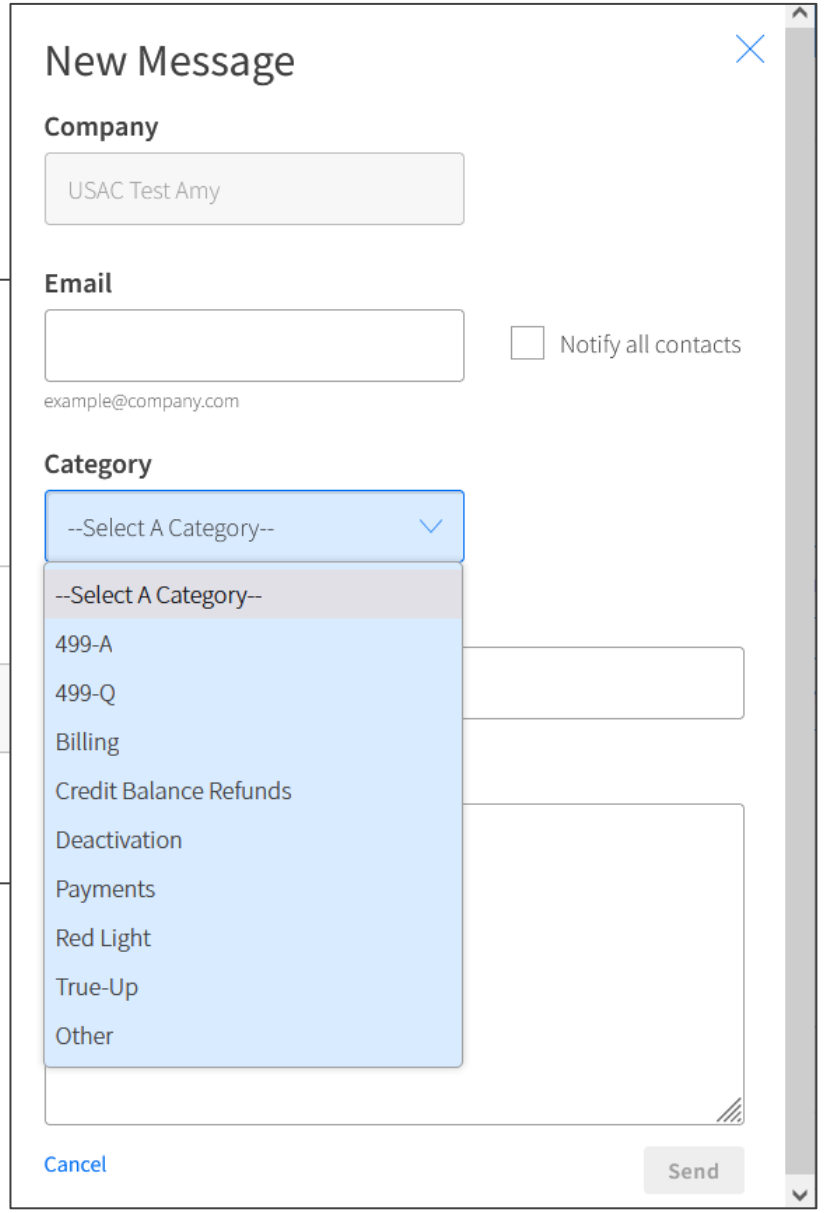
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Questions?

Contacting USAC

E-File Message Portal





Send a message to the Service Provider team directly through the Message Portal in E-File.

Contributors/Service Providers Customer Service Center (CSC)



Call us at (888) 641-8722

Monday – Friday 9 a.m. to 5 p.m. ET



Email: CustomerSupport@usac.org

- Include in your email
  - 498 ID/Service Provider ID Number (SPIN)
  - 499 Filer ID

Contact the CSC for issues relating to login, error messages, and other technical problems.

Thank You!



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