Schools & Libraries Committee

Audit Briefing Book

Monday, January 27, 2020

10:00 a.m. - 12:00 p.m. ET

Universal Service Administrative Company

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

Washington, D.C. 20005

<u>*Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: October 2, 2019*</u>

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment**	Entity Disagreement
Kirk Academy Attachment A	1	• No significant findings.	$2,996	$0	$0	$0	N
Crescent View South II Charter Attachment B	1	• <u>SLP Funded Equipment Not Installed by the Required Deadline.</u> The assets related to one FRN were not installed by the required deadline, and no service delivery extension request was filed.	$45,578	$11,048	$11,048	$0	Y
Diego Hills Central Public Charter School Attachment C	1	• No significant findings.	$24,041	$593	$0	$0	N
Cheder Menachem Attachment D	3	• <u>Failure to Comply with the Requests of an Audit.</u> The Beneficiary failed to provide documentation demonstrating compliance with the Rules. • <u>Failure to Comply with CIPA Requirements – Missing Internet Safety Policy Elements and Insufficient Technology Protection Measure</u>	$31,464	$124,574	$26,659	$68,141	N

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment**	Entity Disagreement
		Documentation. The Beneficiary's Internet Safety Policy (ISP) did not include all of the required elements and the Beneficiary did not provide sufficient documentation to demonstrate that a Technology Protection Measure (TPM) was in use during the Funding Year.					
Maimonides Hebrew Day School Attachment E	2	• Failure to Comply with the Requests of an Audit. The Beneficiary failed to provide documentation demonstrating compliance with the Rules.	$3,836	$11,723	$3,836	$11,723	Y
Total	**8**		**$107,915**	**$147,938**	**$41,543**	**$79,864**	

* The Monetary Effect amount represents the actual dollar effect of the finding(s) without taking into account any overlapping exceptions that exist in multiple findings. Thus, the total Monetary Effect may exceed the Amount of Support that was disbursed to the Beneficiary.

** The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

Attachment A

SL2018BE010

Available for Public Use

Kirk Academy
Audit ID: SL2018BE010
(BEN: 43086)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2017 as of November 30, 2018

Prepared for: Universal Service Administrative Company

As of Date: September 30, 2019

KPMG LLP
800 S. Gay Street, Suite 910
Knoxville, TN 37929

TABLE OF CONTENTS

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800 South Gay Street
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EXECUTIVE SUMMARY

September 30, 2019

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

Dear Mrs. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Kirk Academy, Billed Entity Number ("BEN") 43086, for disbursements of $2,996 and commitments of $32,717, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of November 30, 2018 (hereinafter "Funding Year 2017"). Our work was performed during the period from January 8, 2019 to September 30, 2019, and our results are as of September 30, 2019.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The audit objective of our work was to evaluate the Beneficiary's compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program ("E-rate Program") set forth in 47 C.F.R. Part 54 of the Federal Communications Commission's ("FCC") Rules as well as other program requirements (collectively, the "Rules") that determined the Beneficiary's eligibility and resulted in commitments of $32,717 and disbursements of $2,996 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the Rules based on our audit.

As our report further describes, KPMG identified one finding as discussed in the Audit Results and Recovery Action section as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated September 30, 2019.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
CIPA	Children's Internet Protection Act
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children's Internet Protection Act and Technology Plan Certification Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of November 30, 2018)
Item 21	Description of the products and services for which discounts are sought in the FCC Form 471
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2018BE010-F01: Failure to Comply with CIPA Requirements – Lack of Public Hearing or Meeting & Lack of Public Notice – Under FRN 1799101490, the Beneficiary was unable to provide evidence that a public meeting was held or advertised to discuss CIPA and the Internet Safety Policy for Funding Year 2017.	$0	$0
Total Net Monetary Effect	**$0**	**$0**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC directs the Beneficiary to USAC's website under "Reference Area" for guidance on the Children's Internet Protection Act (CIPA) available at (https://www.usac.org/sl/applicants/step05/cipa.aspx). In addition, USAC offers a webcast to help applicants understand compliance with CIPA available at (https://goto.webcasts.com/starthere.jsp?ei=1190671&tp_key=2f47022845). USAC also provides a News Brief with helpful information about CIPA requirements available at (https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=831).

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. The purpose of USAC is to administer the USF through four support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries. These four support mechanisms ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $32,717 and disbursements of $2,996 made for Funding Year 2017.

Beneficiary Overview

The Kirk Academy (BEN# 43086) is a private school with a campus located in Grenada, Mississippi that serves over 400 students from K-3 through 12th grade.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Basic Maintenance of Internal Connections	$7,800	$0
Internal Connections	$18,924	$0
Internet Access	$5,993	$2,996
Total	**$32,717**	**$2,996**

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017, as of November 30, 2018.

The committed total represents two FCC Form 471 applications with three FRNs. We selected all three FRNs to perform the procedures enumerated below related to the Funding Year 2017 application submitted by the Beneficiary. During the course of our audit, we noted two of the three FRNs were cancelled via FCC Form 500, and therefore we did not test those FRNs, which represented $26,724 of the funds committed.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $32,717 and disbursements of $2,996 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

KPMG identified the following areas of focus for this performance audit:

1. Application Process
2. Competitive Bid Process
3. Calculation of the Discount Percentage
4. Invoicing Process
5. Beneficiary Locations
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. **Application Process**

   We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRN audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

   We obtained and examined documentation to determine whether the Beneficiary complied with the FCC's CIPA requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy, and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

2. **Competitive Bid Process**

   For the FRN audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that 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 the contract with the selected service provider. We reviewed the service provider contract to determine whether it was properly executed. We evaluated the services requested and purchased for cost effectiveness as well.

3. **Calculation of the Discount Percentage**

   For the FRN audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

4. **Invoicing Process**

   For the FRN audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEAR) 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.

5. **Beneficiary Locations**

   For the FRN audited, we used inquiry to determine whether the services were provided to eligible facilities and utilized in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. We also evaluated the services purchased by the Beneficiary to determine whether funding was used in an effective manner.

6. **Reimbursement Process**

   For the FRN audited, we 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, we reviewed invoices associated with the BEAR form for services provided to the Beneficiary. We verified that the services claimed on the BEAR form 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 Program Eligible Services List.

7. **Record Keeping**

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRN audited, as well as retained and provided the documentation requested in our other audit procedures.

8. **Final Risk Assessment**

Considering that the above audit procedures were performed for the Beneficiary's one FRN, KPMG concluded that expansion of the scope of the audit was not warranted since all FRNs related to Funding Year 2017 were selected for testing.

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified one finding. The finding, including the condition, cause, effect, recommendation, and Beneficiary response are as follows:

Finding No.	**SL2018BE010-F01: Failure to Comply with CIPA Requirements – Lack of Public Hearing or Meeting & Lack of Public Notice**
Condition	Under FRN 1799101490, the Beneficiary was unable to provide evidence to support the dissemination of a public notice or the occurrence of the public meeting to discuss CIPA and the Internet Safety Policy. The Beneficiary was able to demonstrate that Internet content filtering was purchased for Funding Year 2017 and that the Internet Safety Policy included specific reference to the five CIPA required elements. Per inquiry of the Beneficiary, the required public meeting was held during the previous Funding Year, however no documentation of this meeting could be provided.
Cause	The Beneficiary did not demonstrate sufficient knowledge of the Rules governing CIPA and the Internet Safety Policy in relation to providing public notice and holding a public meeting to discuss the policy. In addition, the Beneficiary did not have adequate documentation or data retention policies and procedures to ensure that records that demonstrate CIPA compliance were properly retained. The Beneficiary requested and received funding for Internet access for a private school and did not fully understand that all CIPA requirements including providing public notice to constituents still applied.
Effect	There is no monetary effect for this finding. The Beneficiary plans to hold another public meeting in the Fall of 2019 in order to retain supporting documentation.
Recommendation	KPMG recommends that the Beneficiary implement controls and procedures to ensure compliance with the CIPA requirements and ensure that adequate records related to providing public notice and holding a public meeting to discuss the Internet Safety Policy are retained. For private schools, public notice means notice to their appropriate constituent group. The Beneficiary should retain all documents to demonstrate CIPA compliance including retaining copies of the documentation for each Funding Year where a CIPA certification is required. Documents must be retained for at least ten years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request.
Beneficiary Response	We have reviewed the audit finding and understand what the auditors have found. Please know the individuals responsible for the E-rate program during FY17 have since left the school district. Since FY17 finding we have made adjustments that would prevent similar audit findings in the future.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.516(a)(1) (2016)	"Recordkeeping requirements—(1) Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well."
#1	47 C.F.R. § 54.520(h) (2016)	"Public notice; hearing or meeting. A school or library shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy."

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding: Failure to Comply with CIPA Requirements – Lack of Public Hearing or Meeting & Lack of Public Notice. Detailed information relative to the finding is described in the Findings, Recommendations and Beneficiary Responses section above.

There is no monetary effect for this finding.

KPMG recommends that the Beneficiary implement controls and procedures to ensure that adequate records related to providing public notice and holding a public meeting to discuss the Internet Safety Policy are retained in compliance with CIPA requirements.

Attachment B

SL2018BE023

Available for Public Use

Crescent View South II Charter
Audit ID: SL2018BE023
(BEN: 17014058)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2017 as of September 30, 2018

Prepared for: Universal Service Administrative Company

As of Date: September 26, 2019

KPMG LLP
1225 17th Street
Suite 800
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TABLE OF CONTENTS

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EXECUTIVE SUMMARY

September 26, 2019

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

Dear Mrs. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to Crescent View South II Charter, Billed Entity Number ("BEN") 17014058, ("CVSIIC" or "Beneficiary") for disbursements of $45,578 and commitments of $58,995, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of September 30, 2018 (hereinafter "Funding Year 2017"). Our work was performed during the period from October 24, 2018 to September 26, 2019, and our results are as of September 26, 2019.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The audit objective of our work was to evaluate the Beneficiary's compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program ("E-rate Program") set forth in 47 C.F.R. Part 54 of the Federal Communications Commission's ("FCC") Rules as well as other program requirements (collectively, the "Rules") that determined the Beneficiary's eligibility and resulted in commitments of $58,995 and disbursements of $45,578 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the Rules based on our audit.

As our report further describes, KPMG identified one finding as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on these results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2017 were $11,048 higher than they would have been had the amounts been reported properly.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated September 26, 2019.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
CALPADS	California Longitudinal Pupil Achievement Data System
C.F.R.	Code of Federal Regulations
CIPA	Children's Internet Protection Act
CVSIIC	Crescent View South II Charter
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children's Internet Protection Act and Technology Plan Certification Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of September 30, 2018)
Item 21	Description of the products and services for which discounts are sought in the FCC Form 471
Mbps	Megabytes per second
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2018BE023-F01: SLP Funded Equipment Not Installed by the Required Deadline – The assets related to FRN 1799077652 were not installed as of the September 30, 2018, and no Service Delivery Extension was filed.	$11,048	$11,048
Total Net Monetary Effect	**$11,048**	**$11,048**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. During the recovery review process, if there are other FRNs that fall under these findings there may be additional recoveries or adjustments.

USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified. Information about service delivery deadlines and the process for requesting an extension is available at USAC's website at (https://www.usac.org/sl/applicants/before-youre-done/delivery-extension.aspx). USAC also issued a News Brief on May 17, 2019 regarding service delivery deadlines and the FCC Form 500 filing process available at (https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=893).

USAC also offers an online applicant training portal containing 14 courses that were delivered during the 2018 fall applicant training available at (https://www.usac.org/sl/about/outreach/applicant-training-series.aspx). Please see the course entitled "Basic Concepts" for information related to service delivery extensions and the course entitled "E-rate Filing Process: Post-Commitment" for information related to filing the FCC Form 500.

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount
1799077652	$11,048

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. The purpose of USAC is to administer the USF through four support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries. These four support mechanisms ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $58,995 and disbursements of $45,578 made for Funding Year 2017.

Beneficiary Overview

Crescent View South II Charter (BEN# 17014058) is a school located in Fresno, California, that serves over 580 students in grades 6 through 12. It is part of the Learn 4 Life organization, which is a network of over 60 non-profit schools from Sacramento to San Diego that offers non-traditional locations and flexible schedules to help overcome obstacles that prevent students from attending school (https://learn4life.org).

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	$47,947	$34,530
Internal Connections	$11,048	$11,048
Total	**$58,995**	**$45,578**

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of September 30, 2018.

The committed total represents two FCC Form 471 applications with four FRNs. We selected two FRNs, which represent $58,995 of the funds committed and $45,578 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $58,995 and disbursements of $45,578 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select Service Providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

KPMG identified the following areas of focus for this performance audit:

1. Application Process
2. Competitive Bid Process
3. Calculation of the Discount Percentage
4. Invoicing Process
5. Site Visits
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. **Application Process**

   We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

   We obtained and examined documentation to determine whether the Beneficiary complied with the FCC's CIPA requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy, and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

2. **Competitive Bid Process**

   For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that 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 reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

3. **Calculation of the Discount Percentage**

   For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

4. **Invoicing Process**

   For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) 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.

5. **Site Visits**

   For the FRNs audited, 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 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.

6. **Reimbursement Process**

   For the FRNs audited, we 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, we reviewed invoices associated with the SPI and BEAR forms for services and equipment provided to the Beneficiary. We verified that the services and equipment claimed on the SPI and BEAR 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 Program Eligible Services List.

7. **Record Keeping**

   We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. **Final Risk Assessment**

   Based on the performance of the above audit procedures for the sampled FRNs, we considered any non-compliance detected during the audit and its effect on the FRNs excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRNs. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified one finding. The finding, including the condition, cause, effect, recommendation and Beneficiary response, is as follows:

Finding No. **SL2018BE022-F01: SLP Funded Equipment Not Installed by the Required Deadline**

Condition For FRN 1799077652, 14 equipment items were not installed by the September 30, 2018 deadline, and no Service Delivery Extension Request was filed. KPMG noted 10 of 14 items were installed on December 28, 2018, and we observed those items installed and in use during the on-site physical inspection performed on April 24, 2019. The remaining four equipment items were not installed as of the on-site physical inspection performed on April 24, 2019.

See table below for the equipment detail (per invoice).

Asset Description	Qty {A}	Unit Cost (Post-Discount 50%) {B}	Total Cost (Post-Discount 50%) {C} = {A} * {B}	Installed by 9/30/18	Installed by Site Visit 4/24/19
Proline Cisco MA-SFP-10GB-SR Compatible SFP+ TAA Compliant Transceiver - SF	4	$180	$720	No	No
Proline Cisco MA-SFP-10GB-SR Compatible SFP+ TAA Compliant Transceiver - SF	4	$180	$720	No	Yes
Cisco Meraki MR42 Cloud Managed - wireless access point	4	$307	$1,228	No	Yes
Cisco Meraki Cloud Managed MS350-48FP - switch - 48 ports - managed – rack	2	$3,258	$6,516	No	Yes

Asset Description	Qty {A}	Unit Cost (Post-Discount 50%) {B}	Total Cost (Post-Discount 50%) {C} = {A} * {B}	Installed by 9/30/18	Installed by Site Visit 4/24/19
*Cisco Meraki Enterprise Cloud Controller - subscription license (5 years) -	4	$79	$316	No	Yes
*Cisco Meraki Enterprise - subscription license (5 years) + 5 Years Enterprise	2	$360	$720	No	Yes
*Sales Tax	1	$873	$873		

Note: Amounts noted above are rounded up to the nearest dollar.
**Subscriptions and Sales Tax associated with equipment items noted above.*
Only $828 in Sales Tax associated with the above equipment was submitted for reimbursement because the cap had been reached for FRN 1799077652.

Cause The Beneficiary did not have adequate procedures in place to ensure that all e-rate funded equipment was installed by the September 30, 2018 deadline or that an extension was filed with USAC to request additional time for installation.

Effect The monetary effect of this finding is $11,048 which represents disbursed funds for FRN 1799077652.

Recommendation KPMG recommends the Beneficiary enhance procedures to ensure all assets are installed as of the September 30th deadline subsequent to each funding year or that a Service Delivery Extension Request is submitted via an FCC Form 500 if additional time is needed for installation.

Beneficiary Response Crescent View South II Charter utilizes Category 2 E-Rate funding for the purchase of E-Rate-eligible networking equipment from a registered service provider. Our reading of E-Rate program rules is that service providers are responsible for delivery and installation of non-recurring services between July 1 of the funding year and September 30 following the June 30 close of that funding year. In our case, that service delivery occurred before June 30, 2018. The selected service provider was contracted only for purchase of the equipment and was not contracted to install the items. Recipients may request an extension of the service delivery deadline in some cases, including when "the service provider was unable to complete delivery and installation for reasons beyond the service provider's control." USAC does not have a program form or tool for a beneficiary to notify USAC when a service provider has completed service delivery (delivery of purchased equipment, in this case), but the recipient is responsible for installation and was unable to meet the deadline. It is not clear when reading program rules that a beneficiary must also file a Form 500 to indicate that they have received the equipment but cannot complete installation by the service delivery date. The Form

500 does not include language to indicate that it should be used for this purpose, nor does it contain instructions about how to use the form for this purpose. The options in the form do not cover this scenario or indicate that the issue should be documented in the narrative, as KPMG suggested. The school is a year-round charter school that does not follow a traditional school-year calendar, and may open, close, expand, or relocate its resource centers during the course of the school year. As such, construction projects, and therefore networking projects, cannot always be completed during the same school year in which the project commences, meaning that installation of equipment could be delayed beyond the service delivery date.

KPMG Response The FCC Form 500 Instructions clearly state "Applicants have three additional months after the end of the funding year (until September 30) to install one-time services known as non-recurring services." There are no exceptions noted for self-installation. The Beneficiary indicated the instructions, which reference service provider delays in installation, were unclear, however the Beneficiary did not contact USAC for further guidance or clarification when they became aware they would not be able to install the equipment by the required deadline.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.507(d)(4) (2016)	"The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: (i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; (iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or (iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance."
#1	FCC Form 500 Instructions for Completing the Universal Service for Schools and Libraries Funding Commitment Adjustment Request Form, Item 8	"Service Delivery Extension Request: Complete this row if you wish to extend the deadline for service delivery and installation for non-recurring services. Applicants have three additional months after the end of the funding year (until September 30) to install one-time services known as non-recurring services. USAC may extend the September 30 deadline if the applicant falls within at least one of four designated circumstances: (1) applicants whose FCDLs are issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (2) applicants who receive service provider change or service substitution authorizations from the Administrator on or after March 1 of the funding year for which discounts are authorized; (3) applicants whose service providers are unable to complete implementation for reasons beyond the service provider's control; or (4) applicants whose service providers are unwilling to complete installation because funding disbursements are delayed while the Administrator investigates their application for program compliance. USAC automatically extends the service delivery deadline for non-recurring services if the reason for the extension are either (1) or (2). However, applicants must affirmatively request an extension of the September 30 deadline for either (3) or (4). Enter the FCC Form 471 application number and FRN, and certify by checking off the reason you are requesting the service delivery deadline extension. Note that the

Finding	Criteria	Description
		applicant must request an extension on or before the September 30 deadline. Granting an extension will not increase funding."
#1	Third Report and Order and Second Notice of Proposed Rulemaking.[1]	"Recipients of support are expected to use all equipment purchased with universal service discounts at the particular location, for the specified purpose for a reasonable period of time." The FCC "decline[d] to institute a useful life criteria for equipment purchased with universal servcie funds" and "address[ed] this issue by adopting a general prohibition on the transfer of equipment for a period of three years after purchase."[2]

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding, SLP Funded Equipment Not Installed by the Required Deadline. Detailed information relative to the finding is described in the Findings, Recommendations and Beneficiary Responses section above.

The estimated monetary effect of this finding is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery
Internal Connections	$11,048	$11,048
Total Impact	**$11,048**	**$11,048**

KPMG recommends the Beneficiary enhance procedures to ensure all assets are installed as of the September 30th deadline subsequent to each funding year or that a Service Delivery Extension Request is submitted via an FCC Form 500 if additional time is needed for installation.

[1] *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, para. 26 (2003).
[2] *Id.* at 18 FCC Rcd 26925, para. 30, and n. 29.

Attachment C

SL2018BE024

Available for Public Use

Diego Hills Central Public Charter School Audit ID: SL2018BE024 (BEN: 17014059)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2017 as of September 30, 2018

Prepared for: Universal Service Administrative Company

As of Date: September 26, 2019

KPMG LLP
1225 17th Street
Suite 800
Denver, CO 80202

TABLE OF CONTENTS

KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

EXECUTIVE SUMMARY

September 26, 2019

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

Dear Mrs. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to Diego Hills Central Public Charter School, Billed Entity Number ("BEN") 17014059, ("DHCPCS" or "Beneficiary") for disbursements of $24,041 and commitments of $33,774, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of September 30, 2018 (hereinafter "Funding Year 2017"). Our work was performed during the period from October 24, 2018 to September 26, 2019, and our results are as of September 26, 2019.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The audit objective of our work was to evaluate the Beneficiary's compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program ("E-rate Program") set forth in 47 C.F.R. Part 54 of the Federal Communications Commission's ("FCC") Rules as well as other program requirements (collectively, the "Rules") that determined the Beneficiary's eligibility and resulted in commitments of $33,774 and disbursements of $24,041 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the Rules based on our audit.

As our report further describes, KPMG identified one finding as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on these results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2017 were $0 higher than they would have been had the amounts been reported properly.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated September 26, 2019.

KPMG

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
CALPADS	California Longitudinal Pupil Achievement Data System
C.F.R.	Code of Federal Regulations
CIPA	Children's Internet Protection Act
DHCPCS	Diego Hills Central Public Charter School
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children's Internet Protection Act and Technology Plan Certification Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of September 30, 2018)
Item 21	Description of the products and services for which discounts are sought in the FCC Form 471
Mbps	Megabytes per second
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2018BE024-F01: Beneficiary Over-Invoiced SLP for Amounts Not Reconciled to the Service Provider Bills – For FRN 1799067109, the Beneficiary used an incorrect formula when calculating the reimbursement amount noted on FCC Form 472 No. 2840389.	$593	$0
Total Net Monetary Effect	**$593**	**$0**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified. Additional information about invoicing for applicants is available in the presentation entitled "Navigating the E-rate Invoicing Process" available at (https://www.usac.org/sl/about/outreach/2018-training.aspx) and at USAC's website under "Reference Area" available at (https://www.usac.org/sl/service-providers/step05/default.aspx).

USAC also offers two webcasts to help applicants understand the Invoicing process available at (https://register.gotowebinar.com/register/8853081102717051650) and (https://register.gotowebinar.com/register/5739235589531224834?source=Webinars+page. USAC also offers a Billed Entity Applicant Reimbursement (BEAR) form training website where applicants can practice filing the FCC Form 472 (BEAR form) available at https://www.usac.org/sl/about/outreach/bear-training-site.aspx).

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. The purpose of USAC is to administer the USF through four support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries. These four support mechanisms ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $33,774 and disbursements of $24,041 made for Funding Year 2017.

Beneficiary Overview

Diego Hills Central Public Charter School (BEN# 17014059) is a school located in San Diego, California, that serves over 580 students in grades 6 through 12. It is part of the Learn 4 Life organization, which is a network of over 60 non-profit schools from Sacramento to San Diego that offers non-traditional locations and flexible schedules to help overcome obstacles that prevent students from attending school (https://learn4life.org).

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	$30,480	$22,230
Voice Services	$3,294	$1,721
Total	**$33,774**	**$24,041**

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of September 30, 2018.

The committed total represents one FCC Form 471 application with two FRNs. We selected both FRNs, which represent $33,774 of the funds committed and $24,041 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $33,774 and disbursements of $24,041 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select Service Providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

KPMG identified the following areas of focus for this performance audit:

1. Application Process
2. Competitive Bid Process
3. Calculation of the Discount Percentage
4. Invoicing Process
5. Beneficiary Locations
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. **Application Process**

   We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

   We obtained and examined documentation to determine whether the Beneficiary complied with the FCC's CIPA requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy, and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

2. **Competitive Bid Process**

   For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that 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 reviewed the Service Provider contracts to determine whether they were properly executed prior to the submission of the FCC Form 471. We evaluated the services requested and purchased for cost effectiveness as well.

3. **Calculation of the Discount Percentage**

   For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

4. **Invoicing Process**

   For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) 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.

5. **Beneficiary Locations**

   For the FRNs audited, we used inquiry to determine whether the services were provided to eligible facilities and utilized in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. We also evaluated the services purchased by the Beneficiary to determine whether funding was used in an effective manner.

6. **Reimbursement Process**

   For the FRNs audited, we 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, we reviewed invoices associated with the BEAR forms for services provided to the Beneficiary. We verified that the services claimed on the BEAR 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 Program Eligible Services List.

7. **Record Keeping**

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. **Final Risk Assessment**

Based on the performance of the above audit procedures for the sampled FRNs, we considered any non-compliance detected during the audit and its effect on the FRNs excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRNs. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified one finding. The finding, including the condition, cause, effect, recommendation and Beneficiary response, is as follows:

Finding No. **SL2018BE024-F01: Beneficiary Over-Invoiced SLP for Amounts Not Reconciled to the Service Provider Bills**

Condition The Beneficiary reported an incorrect total reimbursement amount on FCC Form 472 No. 2840389. In deriving the amount to be reimbursed by USAC, the Beneficiary multiplied the eligible services, fees, taxes and number of lines together. The Beneficiary should have added the eligible services, fees and taxes, and then multiplied by the number of lines. See the below table for the reported and recalculated amounts:

Reported Amount per FCC Form 472 No. 2840389	Re-Calculation of FCC Form 472 No. 2840389	Variance
$1,720	$1,127	$593

Cause The Beneficiary did not have an adequate review process in place to verify that the amounts submitted to SLP reconciled to the underlying Service Provider bills.

Effect During the course of our audit, the Beneficiary caught this error and submitted a Payment Identification Worksheet to USAC in order to pay back the $593 over disbursement of funds. Therefore, the recommended recovery related to this finding is $0.

Recommendation KPMG recommends the Beneficiary enhance the review of BEAR filings to verify that the amounts submitted to SLP reconcile to the underlying Service Provider bills.

Beneficiary Response Diego Hills Central Public Charter School agrees with the finding and will enhance the review process for BEAR filings to ensure the accuracy of all calculations prior to submission to SLP.

Criteria

Finding	Criteria	Description
#1	Schools and Libraries (E-rate) Program, FCC Form 472 (BEAR) User Guide, at pgs. 17-18	The Beneficiary certifies that "[t]he discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter."

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding, Beneficiary Over-Invoiced SLP for Amounts Not Reconciled to the Service Provider Bills. Detailed information relative to the finding is described in the Findings, Recommendations and Beneficiary Responses section above.

The estimated monetary effect of this finding is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery
Voice Services	$593	$0
Total Impact	**$593**	**$0**

KPMG recommends the Beneficiary enhance the review of BEAR filings to verify that the amounts submitted to SLP reconcile to the underlying Service Provider bills.

Attachment D

SL2018LR004

Available for Public Use

Universal Service
Administrative Co.

Cheder Menachem

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2018LR004

TABLE OF CONTENTS

EXECUTIVE SUMMARY

May 2, 2019

Mrs. Goldie Azimov
Cheder Menachem
1001 Finnegans Lane
North Brunswick, Middlesex, NJ 08902

Dear Mrs. Azimov:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Cheder Menachem (Beneficiary), Billed Entity Number (BEN) 16061131, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. Except for the limitation on the scope of our audit as explained in the body of the audit report, 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 three detailed audit findings (Findings) 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 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 Federal Communications Commission (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,

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Due to a limitation on the scope of our audit, AAD was unable to determine that the Beneficiary's discount percentage is accurate; the Beneficiary conducted a fair and open competitive bidding process and selected the most cost-effective service provider; the Beneficiary received eligible, approved services and that the Beneficiary received its proper credits from the service provider; and that the Beneficiary paid its non-discounted share in a timely manner.[1]

Audit Results	Monetary Effect	Overlapping Recovery[2]	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.516(b) (2015) – Failure to Comply with the Requests of an Audit. The Beneficiary failed to provide documentation demonstrating compliance with the Rules.	$68,141	$0	$26,659	$68,141
Finding #2: 47 CFR § 54.520(c)(1) (2015) - Failure To Comply With CIPA Requirements – Missing Internet Safety Policy Elements and Insufficient Technology Protection Measure Documentation. The Beneficiary's Internet Safety Policy (ISP) did not include all of the required elements and the Beneficiary did not provide sufficient documentation to demonstrate that a TPM was in use during Funding Year 2016.	$53,567	$19,899	$0	$0
Finding #3: 47 CFR § 54.502(a) (2015) - Beneficiary Over-Invoiced SLP for Ineligible Services. The Beneficiary and Service Provider did not provide adequate documentation to determine the cost of the ineligible service charges.	$2,866	$2,866	$0	$0
Total Net Monetary Effect	**$124,574**	**$22,765**	**$26,659**	**$68,141**

[1] *See* the Purpose, Scope, Background and Procedures section below and the Failure to Comply with the Requests of an Audit Detailed Audit Finding (DAF) for additional details on the scope limitation identified that impacted AAD's determination of compliance related to certain Rules.

[2] If a finding is subsequently waived via appeal, any overlapping recovery with that finding will be recovered with the remaining findings.

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. During the recovery review process, if there are other FRNs that fall under these findings there may be additional recoveries or adjustments.

USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified. USAC reminds the Beneficiary of their obligation to respond to auditor requests in accordance with the FCC's Fifth Report & Order (FCC 04-190) released on August 13, 2004 and available at (https://www.usac.org/_res/documents/about/pdf/fcc-orders/2004-fcc-orders/FCC-04-190.pdf). Please see page 43, (b), "Production of records", which states "Schools, libraries, and service providers shall produce such records at the request of any representative (including any auditor) appointed by a state education department, the Administrator, the FCC, or any local, state or federal agency with jurisdiction over the entity." Beneficiaries also certify on the FCC Form 471 that they will retain all documents necessary to demonstrate compliance with FCC rules regarding the application for, receipt of, and delivery of services, and that if audited, they will make such records available to USAC.

USAC also offers two webcasts to help applicants understand the Invoicing process available at (https://register.gotowebinar.com/register/8853081102717051650) and (https://register.gotowebinar.com/register/5739235589531224834?source=Webinars+page). Additional information about invoicing for applicants is available in the presentation entitled "Navigating the E-rate Invoicing Process" available at (https://www.usac.org/sl/about/outreach/2018-training.aspx) and at USAC's website under "Reference Area" available at (https://www.usac.org/sl/service-providers/step05/default.aspx). USAC also offers a Billed Entity Applicant Reimbursement (BEAR) form training website where applicants can practice filing the FCC Form 472 (BEAR form) available at (https://www.usac.org/sl/about/outreach/bear-training-site.aspx).

In addition, USAC offers a webcast to help applicants understand compliance with the Children's Internet Protection Act (CIPA) available at (https://goto.webcasts.com/starthere.jsp?ei=1190671&tp_key=2f47022845). USAC also directs the Beneficiary to USAC's website under "Reference Area" for guidance on CIPA available at (https://www.usac.org/sl/applicants/step05/cipa.aspx). USAC also provides a News Brief with helpful information about CIPA requirements available at (https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=831).

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount	Commitment Adjustment Amount
1699116923	$2,866	$3,852
1699116952		$399
1699116999	$420	$2,223
1699117061	$891	$1,187
1699117081		$258
1699117233	$3,582	$3,582
1699117254		$2,700
1699117271		$1,560
1699117294		$33,480
1699117357	$18,900	$18,900
Totals	**$26,659**	**$68,141**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	$53,967	$20,189
Voice	$14,174	$11,275
Total	**$68,141**	**$31,464**[3]

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 with 10 Funding Request Numbers (FRNs). AAD selected six of the 10 FRNs[4], which represent $63,225 of the funds committed and $26,659[3] of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

Due to a limitation on the scope of the audit, AAD was unable to determine that the Beneficiary was in compliance with certain Rules for Funding Year 2016.[5]

BACKGROUND

The Beneficiary is a private school located in North Brunswick, New Jersey that serves over 50 students.

PROCEDURES

AAD performed the following procedures:

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[3] Subsequent to audit commencement, the Beneficiary returned $20 that was disbursed for FRN 1699117061 and SLP de-committed those funds. As of the date of this audit report, the total amount disbursed is $31,444. The FRNs AAD selected to perform the procedures enumerated below represent $26,639 of the revised disbursement amount.

[4] The FRNs included in the scope of this audit were: 1699116923, 1699116999, 1699117061, 1699117233, 1699117294 and 1699117357.

[5] *See* the Failure to Comply with the Requests of an Audit DAF for discussion of the scope limitation regarding the Beneficiary's compliance with the Rules surrounding the calculation of its discount percentage, conducting a fair an open competitive bidding process and selecting the most cost-effective service provider, receipt of eligible, approved services and that the Beneficiary received its proper credits from the service provider, and payment of its non-discounted share in a timely manner.

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were/will be used in accordance with the Rules. AAD used inquiry 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 attempted to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy. However, due to the Beneficiary's failure to comply with the requests of the audit and provide sufficient documentation supporting how it calculated its discount percentage, AAD was unable to determine whether the Beneficiary's discount percentage is accurate.[6]

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

B. Competitive Bid Process

AAD attempted to obtain and examine documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services and price of the eligible services and goods was the primary factor considered. AAD also attempted to obtain and examine 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. In addition, AAD attempted to examine the service provider contracts to determine whether they were properly executed and evaluate the services requested and purchased for cost effectiveness as well. However, due to the Beneficiary's failure to comply with the requests of the audit and provide sufficient documentation demonstrating compliance with the competitive bidding and service provider selection process, AAD is unable to conclude that the Beneficiary properly selected a service provider that provided eligible services and price of the eligible services and goods was the primary factor considered; 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; that the service provider contracts were properly executed; and the services requested and purchased were cost-effective.

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC and attempted to determine whether the services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also attempted to examine documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner. However, due to the Beneficiary's failure to comply with the requests of the audit and provide service provider agreements, AAD was unable to determine whether the services identified on the BEARs,

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[6] *See supra* note 4.

SPIs, and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. In addition, the Beneficiary failed to provide proof of payment to verify that the service providers billed the Beneficiary for eligible, approved services and payments were made by the Beneficiary to the service provider. Therefore, AAD was unable to determine that the Beneficiary paid its non-discounted share in a timely manner for FRNs 1699116923 and 1699117061.[7]

D. Beneficiary Location

AAD used inquiry to determine whether the services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested.

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 and SPI forms for services provided to the Beneficiary. AAD attempted to verify that the services identified on the BEAR and SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the SLP Eligible Services List. However, the Beneficiary did not comply with the requests of the audit and provide the service provider agreements. In addition, the Beneficiary did not provide service provider bills for the months of June 2017 for FRNs 1699117357 and 1699117233. Therefore, AAD cannot conclude that the services identified on the BEAR and SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also cannot conclude that the Beneficiary invoiced USAC for only eligible, approved services and that funds were used in accordance with the Rules for the months of June 2017 for FRNs 1699117357 and 1699117233.[8]

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[7] *Id.*
[8] *Id.*

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.516(b) (2015) – Failure to Comply with the Requests of an Audit

CONDITION

On February 7, 2018, AAD contacted the Beneficiary to announce the audit. AAD provided the Beneficiary with an audit announcement letter, including a document request list. The items on the document request list were due by February 28, 2018. Among other things, AAD requested documentation to support the Beneficiary's discount calculation; documentation demonstrating that the Beneficiary was eligible for Schools and Libraries Program (SLP) support; copies of service provider bills and proof of payment to verify that the service providers billed the Beneficiary for the supported services and payments were made by the Beneficiary; and support demonstrating that the Beneficiary complied with the Rules governing the competitive bidding and service provider selection process for the Internet access and voice services provided by Gladesmore Telecom, Verizon Wireless, Verizon New Jersey Inc., and Comcast Business Communications for FRNs 1699116923, 1699116999, 1699117061, 1699117233, 1699117294, and 1699117357. The Beneficiary did not respond to AAD's initial requests for documentation.

AAD made numerous attempts to contact the Beneficiary and the Beneficiary's consultant to obtain the requested documentation. For instance, on March 1, 2018, AAD contacted the Beneficiary and the Beneficiary's consultant to remind them that AAD had not been provided the documentation requested and had not received a response to AAD's attempts to contact the Beneficiary.[9]

On May 15, 2018, AAD provided the Beneficiary with a memorandum stating that the requested documentation necessary to complete the audit remained outstanding and that "[i]f [Cheder Menachem] does not provide all the requested documents by May 29, 2018, [A]AD will make the determination that [Cheder Menachem] did not provide sufficient records to demonstrate compliance with FCC rules and Schools and Libraries Program requirements and we will, therefore, recommend to USAC management to recover any funds disbursed and to make a commitment adjustment to the full amount committed to [Cheder Menachem] for Funding Year 2016."[10] The Beneficiary was advised that it could be subject to recovery of funds if adequate documentation was not provided in a timely manner.[11]

The Beneficiary provided some documentation, but the documentation remained incomplete. The Beneficiary has not provided the remaining documentation as of the date of this audit report. The Beneficiary failed to provide the following information:

- Documentation to support the Beneficiary's discount calculation;

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[9] Email from AAD to Richard Bernstein, Consultant for Cheder Menachem (March 1, 2018).
[10] *See* May 15, 2018 letter from Wayne Scott, USAC Vice President of Internal Audit to Chanie Zaklikovsky, Director of Academics for Cheder Menachem.
[11] *Schools & Libraries Universal Service Support Mechanism*, Fifth Report and Order, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd. 15808, 15825-26, para. 50 (2004) (*Fifth Report and Order*).

- Documentation demonstrating compliance with the competitive bidding and service provider selection process;
- Service provider bills for the month of June 2017 for FRNs 1699117357 and 1699117233; and
- Proof of payment to verify that the service providers billed the Beneficiary for the supported services and payments were made by the Beneficiary for FRNs 1699116923 and 1699117061.[12]

Consequently, AAD was unable to validate the Beneficiary's discount percentage. In addition, AAD was unable to determine whether the Beneficiary complied with the Rules governing the competitive bidding and service provider selection process. Also, AAD was unable to determine whether the Beneficiary received eligible services and whether the Beneficiary received its proper credits from the service provider for the month of June 2017 for FRNs 1699117357 and 1699117233. AAD contacted the service provider, Gladesmore Telecom, for copies of the June 2017 service provider bills but did not receive a response. Further, AAD was unable to determine whether the Beneficiary paid its non-discounted share in a timely manner for FRNs 1699116923 and 1699117061.

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),[13] which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[14] Because the Beneficiary did not respond to the auditor's requests to provide adequate documentation in a timely manner, AAD is unable to conclude that the Beneficiary complied with the Rules.

CAUSE

The Beneficiary did not have adequate documentation or data retention controls and procedures to ensure that documentation demonstrating its compliance with the Rules was properly retained and provided. In addition, the Beneficiary did not demonstrate sufficient knowledge of the Rules governing its requirement to comply with an audit and produce such records upon request.

EFFECT

The monetary effect of this Finding is $68,141. This amount represents the total amount committed by SLP to the Beneficiary for Funding Year 2016.

RECOMMENDATION

AAD recommends USAC management seek recovery of $26,659. This amount represents the total amount disbursed for FRNs 1699116923, 1699116999, 1699117061, 1699117233, and 1699117357. AAD also recommends USAC management adjust the committed amount downward to $0 for all FRNs in Funding Year 2016: FRNs 1699116923, 1699116952, 1699116999, 1699117061, 1699117081, 1699117233, 1699117254, 1699117271, 1699117294, and 1699117357. The Beneficiary must implement controls and procedures to ensure that it retains adequate records related to the application for, receipt, and delivery of discounted

[12] 47 C.F.R. § 54.516(a)(1) (2015).
[13] 47 C.F.R. § 54.702(n) (2015).
[14] *See* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, para. 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

telecommunications and other supported services, as required by the Rules, and to comply with an audit and produce such records upon request.

BENEFICIARY RESPONSE

[The Beneficiary did not provide a response to the Finding.]

Finding #2: 47 CFR § 54.520(c)(1) (2015) – Failure To Comply With CIPA Requirements – Missing Internet Safety Policy Elements and Insufficient Technology Protection Measure Documentation

CONDITION

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Children's Internet Protection Act (CIPA) requirements for FRNs 1699117061, 1699117294, and 1699117357. AAD requested documentation that demonstrates that a Technology Protection Measure (TPM) to filter Internet content was in use during Funding Year 2016 for FRNs 1699117061 and 1699117357. However, the Beneficiary did not provide sufficient documentation to demonstrate that a TPM was in use during Funding Year 2016. As such, AAD cannot conclude that the Beneficiary was in compliance with CIPA.

In addition, AAD reviewed the Beneficiary's Internet Safety Policy (ISP) and noted that the ISP did not sufficiently address the required Internet safety elements listed below:

- The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;
- Unauthorized access, including so-called "hacking," and other unlawful activities by minors on-line;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors; and
- Educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.

CAUSE

The Beneficiary did not have adequate documentation or data retention policies and procedures in place to ensure that records demonstrating CIPA compliance were properly retained. In addition, the Beneficiary did not demonstrate sufficient knowledge of the Rules governing the Internet safety elements that must be addressed in the ISP.

EFFECT

The monetary effect of this Finding is $53,567. The amount represents the total amount committed by SLP to the Beneficiary for FRNs 1699117061, 1699117294, and 1699117357.

RECOMMENDATION

AAD recommends USAC management seek recovery of $19,899. This amount represents the total amount disbursed for FRNs 1699117061 and 1699117357. AAD also recommends USAC management issue a downward commitment adjustment to $0 for FRNs 1699117061 and 1699117294. The Beneficiary must implement controls and procedures to ensure it complies with the CIPA requirements and to ensure that they retain adequate records related to the application for, receipt, and delivery of discounted telecommunications and other supported services as required by the Rules.[15] The Beneficiary must ensure that all elements are addressed in the ISP as required by the Rules. The Beneficiary must maintain sufficient documentation that demonstrates that a TPM was in place during FY 2016.

BENEFICIARY RESPONSE

[The Beneficiary did not provide a response to the Finding.]

Finding #3: 47 CFR § 54.502(a) (2015) – Beneficiary Over-Invoiced SLP for Ineligible Services

CONDITION

AAD obtained and examined the FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) form and the corresponding service provider bills provided by the Beneficiary to determine whether the Schools and Libraries Program (SLP) was invoiced only for eligible services for FRN 1699116923. The Beneficiary did not deduct the cost of ineligible charges for data and text messaging services from its BEAR Form no. 2624116.[16]

The Beneficiary was charged on its service provider bills for wireless voice services that were bundled with ineligible data and text messaging services. The Beneficiary and Service Provider, Verizon Wireless, were unable to provide a breakdown of the eligible cost of the voice services and the ineligible cost of the data and text messaging services.[17] AAD is required to conduct our audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require auditors to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[18] Because the Beneficiary and Service Provider did not provide adequate documentation to determine the cost of the ineligible charges, AAD was unable to conclude that the pre-discounted costs of $5,732 that was invoiced to SLP on BEAR Form no. 2624116 was for eligible services.[19] Therefore, the Beneficiary over-invoiced SLP for $2,866 ($5,732 * the Beneficiary's 50 percent discount rate) for ineligible services.

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[15] 47 CFR § 54.516(a)(1) (2015).
[16] *See* Schools and Libraries Eligible Services List for Funding Year 2016, DA 15-1012, at 3. (Sept. 2015).
[17] 47 CFR § 54.516(a)(1) (2015).
[18] *See* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").
[19] *See* Schools and Libraries (E-rate) Program FCC Form 472 (BEAR) User Guide at 17 (Apr. 2017).

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that SLP is invoiced only for the discounted costs of approved, eligible services. In addition, the Beneficiary's service provider bills did not include an adequate level of billing detail to identify all ineligible charges during the funding year.

EFFECT

The monetary effect of this Finding is $2,866. This amount represents the total amount disbursed by SLP for the Beneficiary's discounted portion of the services delivered for FRN 1699116923.

RECOMMENDATION

AAD recommends USAC management seek recovery of $2,866. The Beneficiary must implement adequate controls and procedures to ensure SLP is invoiced only for eligible services. In addition, the Beneficiary should request an adequate level of billing detail from the service provider, as needed, to identify all eligible and ineligible charges incurred during the funding year.

BENEFICIARY RESPONSE

[The Beneficiary did not provide a response to this Finding.]

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.516(b) (2015).	Schools, libraries, consortia, and service providers shall produce such records at the request of any representative (including any auditor) appointed by a state education department, the Administrator, the FCC, or any local, state or federal agency with jurisdiction over the entity.
#1	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd. 15808, 15825-26, para. 50 (2004) (*Fifth Report and Order*).	[S]chools, libraries, and service providers remain subject to both random audits and to other audits (or investigations) to examine an entity's compliance with the statute and the Commission's rules initiated at the discretion of the Commission, USAC, or another authorized governmental oversight body. We also conclude that failing to comply with an authorized audit or other investigation conducted pursuant to section 54.516 of the Commission's rules (e.g., failing to retain records or failing to make available required documentation) is a rule violation that may warrant recovery of universal service support monies that were previously disbursed for the time period for which such information is being sought.
#1, #2, #3	47 C.F.R. § 54.516(a)(1) (2015).	[S]chools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.
#1	47 C.F.R. § 54.702(n) (2015).	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards.
#2	47 CFR § 54.520(c)(1) (2015).	The billed entity for a school that receives discounts for Internet access or internal connections must certify on FCC Form 486 that an Internet safety policy is being enforced. If the school is an eligible member of a consortium but is not the billed entity for the consortium, the school must certify instead on FCC Form 479 ("Certification to Consortium Leader of Compliance with the Children's Internet Protection Act") that an Internet safety policy is being enforced. (i) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to

		use of the computers by minors, harmful to minors. The school must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(1) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose. This Internet safety policy must also include monitoring the online activities of minors. Beginning July 1, 2012, schools' Internet safety policies must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response. (ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues: (A) Access by minors to inappropriate matter on the Internet and World Wide Web, (B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications, (C) Unauthorized access, including so-called "hacking," and other unlawful activities by minors online; (D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and (E) Measures designed to restrict minors' access to materials harmful to minors.
#3	47 C.F.R. § 54.502(a) (2015).	All supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (d) of this section. The services in this subpart will be supported in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes.….
#3	*Modernizing the E-rate Program for Schools and Libraries,* WC Docket No. 13-184, 30 FCC Rcd. 9923, 9936 at 3 (2015) (*Eligible Services List for Funding Year 2016*).	Eligible voice services are subject to an annual 20 percentage point phase down of E-rate support beginning in FY 2015, as described in the E-rate Modernization Order. For FY 2016, the effective reduced discount rate will be 40 percentage points. The reduced discount rate for voice services will apply to all applicants and all costs for the provision of telephone services and circuit capacity dedicated to providing voice services including: • Centrex • Integrated Services Digital Network (ISDN) • Interconnected voice over Internet protocol (VoIP) • Local, long distance, and 800 (toll-free) service • Plain old telephone service (POTS) • Radio loop • Satellite telephone service • Shared telephone service (only the portion of the shared services relating to the eligible use and location may receive discounts) • Wireless telephone service including cellular voice and excluding data and text messaging.

#3	*Schools and Libraries (E-rate) Program FCC Form 472 (BEAR) User Guide* at 17 (*FCC Form 472 User Guide*).	Column (12) – Total (Undiscounted) Amount for Service per FRN. The total undiscounted amount represents the full cost of the services delivered on this FRN for the period indicated. You must deduct charges for any ineligible services, or for eligible services delivered for ineligible recipients or used for ineligible purposes. You should gather your customer bills and any other documentation you need to support your calculations.

Attachment E

SL2018LR005

Available for Public Use

Maimonides Hebrew Day School

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2018LR005

TABLE OF CONTENTS

EXECUTIVE SUMMARY

May 28, 2019

Israel Rubin, Principal
Maimonides Hebrew Day School
404 Partridge Street
Albany, NY 12208

Dear Mr. Rubin:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Maimonides Hebrew Day School (Beneficiary), Billed Entity Number (BEN) 195230, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. Except for the below-mentioned limitation on the scope of our audit, 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) 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 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 Federal Communications Commission (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,

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Due to a limitation on the scope of our audit, AAD was unable to determine that the Beneficiary's discount percentage is accurate; that the Beneficiary paid its non-discounted share in a timely manner; the Beneficiary received eligible, approved services and that the funds were/will be used in accordance with the Rules; and the Beneficiary held a public meeting or hearing to discuss the Beneficiary's Internet Safety Policy (ISP).[1]

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.516(b) (2015) – Failure to Comply with the Requests of an Audit. The Beneficiary failed to provide documentation demonstrating compliance with the Rules.	$11,723	$3,836	$11,723
Finding #2: 47 C.F.R. § 54.520(c)(1)(i), (ii); 47 C.F.R. § 54.520(h) (2015) - Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements and Lack of Public Hearing or Meeting. The Beneficiary's Internet Safety Policy (ISP) did not include all of the required elements and the Beneficiary did not provide documentation to support that a public meeting was held to discuss the ISP.	$0	$0	$0
Total Net Monetary Effect	**$11,723**	**$3,836**	**$11,723**

[1] *See* the Purpose, Scope, Background and Procedures section below, the Failure to Comply with the Requests of an Audit Detailed Audit Finding (DAF), and the Failure to Comply with CIPA Requirements – Missing Internet Safety Policy Elements and Lack of Public Hearing or Meeting DAF for additional details on the scope limitation identified that impacted AAD's determination of compliance related to certain Rules.

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. During the recovery review process, if there are other FRNs that fall under these findings there may be additional recoveries or adjustments.

USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified. USAC reminds the Beneficiary of their obligation to respond to auditor requests in accordance with the FCC's Fifth Report & Order (FCC 04-190) released on August 13, 2004 and available at (https://www.usac.org/_res/documents/about/pdf/fcc-orders/2004-fcc-orders/FCC-04-190.pdf). Please see page 43, (b), "Production of records", which states "Schools, libraries, and service providers shall produce such records at the request of any representative (including any auditor) appointed by a state education department, the Administrator, the FCC, or any local, state or federal agency with jurisdiction over the entity." Beneficiaries also certify on the FCC Form 471 that they will retain all documents necessary to demonstrate compliance with FCC rules regarding the application for, receipt of, and delivery of services, and that if audited, they will make such records available to USAC.

In addition, USAC offers a webcast to help applicants understand compliance with the Children's Internet Protection Act (CIPA) available at (https://goto.webcasts.com/starthere.jsp?ei=1190671&tp_key=2f47022845). USAC also directs the Beneficiary to USAC's website under "Reference Area" for guidance on CIPA available at (https://www.usac.org/sl/applicants/step05/cipa.aspx). USAC also provides a News Brief with helpful information about CIPA requirements available at (https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=831).

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount	Commitment Adjustment Amount
1699034965	$2,352	$9,023
1699111770	$1,484	$2,700
Totals	**$3,836**	**$11,723**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Managed Internal Broadband Services	$11,475	$0
Internet Access	$56,700	$1,484
Voice	$9,023	$2,352
Total	**$77,198**[2]	**$3,836**

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

The committed total represents three FCC Form 471 applications with five Funding Request Numbers (FRNs). AAD selected four of the five FRNs[3], which represent $65,723 of the funds committed and $3,836 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

Due to a limitation on the scope of the audit, AAD was unable to determine that the Beneficiary was in compliance with certain Rules for FRNs 1699034965 and 1699111770.[4]

BACKGROUND

The Beneficiary is a private school located in Albany, New York that serves 90 students.

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[2] Subsequent to the date of the commencement of the audit, the Beneficiary submitted a request to cancel three of the FRNs, which SLP approved and reduced the committed funds for those FRNs to $0. As of the date of this audit report, the total amount remaining committed is $11,723. The FRNs AAD selected to perform the procedures enumerated below represent $11,723 of the revised committed amount.

[3] The FRNs included in the scope of this audit were: 1699034965, 1699111732, 1699111758, and 1699111770. The Beneficiary cancelled FRNs 1699111732 and 1699111758 after audit announcement.

[4] *See* the Failure to Comply with the Requests of an Audit DAF for discussion of the scope limitation regarding the Beneficiary's compliance with the Rules surrounding the calculation of its discount percentage, receipt of eligible, approved services and that the funds were/will be used in accordance with the Rules, payment of its non-discounted share in a timely manner, and the Children's Internet Protection Act (CIPA).

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were/will be used in accordance with the Rules. AAD used inquiry 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 attempted to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy. However, due to the Beneficiary's failure to comply with the requests of the audit and provide sufficient documentation supporting how it calculated its discount percentage, AAD was unable to determine whether the Beneficiary's discount percentage is accurate.[5]

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, AAD obtained and evaluated the Beneficiary's Internet Safety Policy. AAD attempted to obtain an understanding of the process by which the Beneficiary communicated and administered the policy. However, due to the Beneficiary's failure to comply with the requests of the audit and provide sufficient documentation to support that the Beneficiary held a public meeting or hearing to discuss the Beneficiary's Internet Safety Policy, AAD is unable to conclude that the Beneficiary communicated and administered the policy.[6]

B. Competitive Bid Process

AAD used inquiry to determine that no bids were received for the requested services. 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 executing month-to-month agreements with the selected service providers. AAD evaluated the services requested and purchased for cost-effectiveness as well.

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 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also obtained and examined invoices for which payment was disbursed by USAC and attempted to determine whether the services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also attempted to examine documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner. However, due to the Beneficiary's failure to comply with the requests of the audit and provide service provider bills, AAD was unable to determine whether the services identified on the BEARs and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements for FRN 1699111770. In addition, the Beneficiary failed to provide proof of payment to verify that the service providers billed the Beneficiary for

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[5] *See supra* note 4.
[6] *Id.*

eligible, approved services and payments were made by the Beneficiary to the service provider. Therefore, AAD was unable to determine that the Beneficiary paid its non-discounted share in a timely manner for FRNs 1699034965 and 1699111770.[7]

D. Beneficiary Location

AAD used inquiry to determine whether the services were located in eligible facilities and utilized in accordance with the 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 attempted to perform procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR and SPI forms for services provided to the Beneficiary. AAD verified that the services identified on the SPI forms and corresponding service provider bills were eligible in accordance with the SLP Eligible Services List. AAD attempted to verify that the services identified on the BEAR forms and corresponding service provider bills were eligible in accordance with the SLP Eligible Services List. However, the Beneficiary did not comply with the requests of the audit and provide the service provider bills for FRN 1699111770. Therefore, AAD cannot conclude that the Beneficiary invoiced USAC for only eligible, approved services and that the funds were used in accordance with the Rules for FRN 1699111770.[8]

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[7] *Id.*
[8] *Id.*

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.516(b) (2015) - Failure to Comply with the Requests of an Audit

CONDITION

On February 7, 2018, AAD contacted the Beneficiary to announce the audit. AAD provided the Beneficiary with an audit announcement letter, including a document request list. The items on the document request list were due by February 28, 2018. Among other things, AAD requested documentation to support the Beneficiary's discount calculation; documentation demonstrating compliance with the competitive bidding and service provider selection process; documentation demonstrating compliance with the Children's Internet Protection Act (CIPA); and copies of service provider bills and proof of payment to verify that the service providers billed the Beneficiary for the supported services and payments were made by the Beneficiary for the Internet access services provided by Time Warner Cable Business, LLC and for the voice services provided by AT&T Mobility for FRNs 1699034965 and 1699111770, respectively. The Beneficiary did not respond to AAD's initial requests for documentation.

On May 15, 2018, AAD provided the Beneficiary with a memorandum stating that the requested documentation necessary to complete the audit remained outstanding and that "[i]f [Maimonides Hebrew Day School] does not provide all the requested documents by May 29, 2018, [A]AD will make the determination that [Maimonides Hebrew Day School] did not provide sufficient records to demonstrate compliance with FCC rules and Schools and Libraries Program requirements and we will, therefore, recommend to USAC management to recover any funds disbursed and to make a commitment adjustment to the full amount committed to [Maimonides Hebrew Day School] for Funding Year 2016."[9] The Beneficiary was advised that it could be subject to a recovery of funds if adequate documentation was not provided in a timely manner.[10]

The Beneficiary provided some documentation by the May 29, 2018 deadline, but the documentation remained incomplete. The Beneficiary has not provided the remaining documentation as of the date of this audit report.[11] The Beneficiary failed to provide the following information:

- Documentation to support the Beneficiary's discount calculation;
- Service provider bills for FRN 1699111770;
- Proof of payment to verify that the service providers billed the Beneficiary for eligible, approved services and payments were made by the Beneficiary for FRNs 1699034965 and 1699111770;
- The Beneficiary's Internet Safety Policy (ISP) and documentation to support that a public meeting or hearing was held to discuss the ISP.

Consequently, AAD is unable to conclude that the Beneficiary's discount percentage is accurate. In addition, AAD is unable to conclude that the Beneficiary had an ISP in place during the Funding Year, that the ISP contained the required elements, and that a public meeting or hearing was held to discuss the ISP. Also, AAD

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[9] *See* May 15, 2018 letter from Wayne Scott, USAC Vice President of Internal Audit to Israel Rubin, Principal of Maimonides Hebrew Day School.

[10] *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd. 15808, 15825-26, para. 50 (2004) (*Fifth Report and Order*).

[11] 47 C.F.R. § 54.516(a)(1) (2015).

is unable to conclude that the Beneficiary received eligible, approved services and that the funds were used in accordance with the Rules for FRN 1699111770. AAD contacted the service provider, Time Warner Cable Business, LLC, for copies of the service provider bills and have not received a response to-date. Further, AAD was unable to conclude that the Beneficiary paid its non-discounted share in a timely manner for FRNs 1699034965 and 1699111770.

AAD is required to conduct audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),[12] which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[13] Because the Beneficiary did not respond to the auditor's requests to provide adequate documentation, AAD was unable to conclude that the Beneficiary complied with the Rules.

CAUSE

The Beneficiary did not have adequate documentation or data retention controls and procedures to ensure that documentation demonstrating its compliance with the Rules was properly retained and provided. In addition, the Beneficiary did not demonstrate sufficient knowledge of the Rules governing its requirement to comply with an audit and produce such records upon request.

EFFECT

The monetary effect of this Finding is $11,723. This amount represents the total amount committed by SLP to the Beneficiary for FRNs 1699034965 and 1699111770.

RECOMMENDATION

AAD recommends USAC management seek recovery of $3,836. This amount represents the total amount disbursed for FRNs 1699034965 and 1699111770. AAD also recommends USAC management issue a downward comittment adjustment of $9,023 for FRN 1699034965 and $2,700 for FRN 1699111770.

The Beneficiary must implement controls and procedures to ensure that it retains adequate records related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request, and to comply with an audit and produce such records upon request.

BENEFICIARY RESPONSE

> We contend that there was a significant lapse between when documents were requested and when the final report is being moved up to management. Had there been more of a warning additional documentation could have been provided. Along with this response are documents that will support the school's discount level, that there existed a written CIPA policy that was in effect before FY 2016 & that a public meeting to affirm the policy was publicized and occurred. Given additional time the applicant will produce bills for FRN 1699111770 which could have been secured from the vendor directly, payments records for FRN 1699034965 & 1699111770.

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[12] 47 C.F.R. § 54.702(n) (2015).

[13] *See* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, para. 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

AAD RESPONSE

AAD does concur with the Beneficiary's argument that there was a significant lapse between when documents were requested and when the final report is being moved up to management. However, AAD does not concur with the Beneficiary's argument that "[h]ad there been more of a warning[,] additional documentation could have been provided." As stated in the Condition, the intial documentation request occurred on February 7, 2018, however the Beneficiary did not respond to AAD's initial requests for documentation. On May 15, 2018 an additional memorandum was sent to the Beneficiary, stating that the requested documentation necessary to complete the audit remained outstanding. Although some documents were provided by the requested deadline of May 29, 2018, additional documentation remained outstanding despite the notice provided by the May 15, 2018 memorandum.

Also, AAD does not concur with the Beneficiary's argument that the additional documents provided support the school's discount level. On April 3, 2019, as part of its Beneficiary response submission, the Beneficiary provided to AAD Title 1 documentation along with surveys that the Beneficiary stated were used to calculate the discount percentage. However, the Beneficiary did not provide the total student enrollment count that would be needed to calculate the discount rate, and Title 1 is not listed as an approved alternate mechanism schools can use to calculate their discount percentage for the E-rate program.[14] In addition, some of the surveys did not include all of the necessary information to be considered eligible, and the total number of National School Lunch Program (NSLP) students did not agree to the NSLP student count reported to USAC on the Form 471. Based on this, AAD has determined that the Beneficiary did not provide sufficient documentation to support the calculation of the discount percentage.

AAD does concur with the Beneficiary's argument that the additional documents provided on April 3, 2019, support that the Beneficiary had a written Internet Safety Policy (ISP) that was in effect before FY 2016. However, AAD determined through review that the ISP did not sufficiently address all of the required elements, which resulted in an additional finding. See Finding #2.

Lastly, the Beneficiary argues that the additional documents provided support the assertion "that a public meeting to affirm the policy was publicized and occurred". Although the Beneficiary provided documentation to show that public notice was given for a public meeting, the Beneficiary did not provide documentation to support that a public meeting to discuss the ISP was actually held, which resulted in a finding. See Finding #2.

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[14] *Modernizing the E-rate Program for Schools and Libraries,* WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd. 8870, 8962, para 230, n. 554 (2014); *See also Request for Review of Decisions of the Universal Service Administrator by Consorcio De Escuelas Y Bibliotecas De Puerto Rico*, CC Docket No. 02-6, Order, 28 FCC Rcd. 64, 67, para. 6, n. 27 (2013).

Finding #2: 47 C.F.R. § 54.520(c)(1)(i), (ii); 47 C.F.R. § 54.520(h) (2015) – Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements and Lack of Public Hearing or Meeting

CONDITION

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Children's Internet Protection Act (CIPA) requirements for FRN 1699111770. AAD reviewed the Beneficiary's Internet Safety Policy (ISP) and noted that the ISP did not sufficiently address the following required Internet safety elements:

- The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;
- Unauthorized access, including so-called "hacking," and other unlawful activities by minors on-line;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors;
- Educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.

In addition, the Beneficiary did not provide sufficient documentation demonstrating that a public meeting or hearing was held to discuss the ISP.[15] The Beneficiary provided AAD with a flyer inviting parents to an orientation that was to be held on September 15, 2013 to discuss "Internet Safety Policy in compliance with the Children's Internet Protection Act (CIPA)". However, the Beneficiary did not provide documentation demonstrating that the meeting occurred.

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[16] Because the Beneficiary did not sufficiently address four of the required elements in its ISP and did not provide documentation demonstrating that a public meeting or hearing was held to discuss the ISP, AAD is unable to conclude that the Beneficiary was compliant with all of the CIPA requirements. However, because the Beneficiary had an ISP and a filter to monitor Internet content, the Beneficiary was in substantial compliance with CIPA requirements.[17]

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the Internet safety policy elements that must be addressed in the ISP. In addition, the Beneficiary did not have adequate documentation or data retention policies and procedures to ensure that records that demonstrate CIPA compliance were properly retained.

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[15] 47 C.F.R. § 54.516(a)(1) (2015).

[16] 47 C.F.R. § 54.702(n) (2015). *See also* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, para. 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

[17] *See* Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau to Scott Barash, Acting Chief Executive Officer, USAC, WC Docket No. 02-6, 24 FCC Rcd. 417 (Jan. 16, 2009).

EFFECT

There is no monetary effect associated with this Finding. While the Beneficiary may not have been in full compliance with all of the CIPA requirements for FRN 1699111770, the Beneficiary substantially complied with the spirit of the CIPA requirements.

RECOMMENDATION

The Beneficiary must implement controls and procedures to ensure it complies with the CIPA requirements and that it retains adequate records related to the application for, receipt, and delivery of discounted telecommunications and other supported services as required by the Rules. The Beneficiary must ensure that all required Internet safety policy elements are addressed in the ISP. The Beneficiary must cure this CIPA violation within six months following receipt of the audit report by providing reasonable public notice, holding a public meeting or hearing to address its ISP, and updating the ISP to include all elements as required by the Rules. Further, AAD recommends the Beneficiary visit USAC's website at www.usac.org/sl/about/outreach/default.aspx to become familiar with the training and outreach available from SLP.

BENEFICIARY RESPONSE

> We maintain that the school's CIPA policy modeled after the New York State E-rate Coordinator, follows ALL of the required CIPA elements. See the attached auditor's comments italicized followed in RED the alleged element that is clearly in the document. In addition, also attached is the USAC training slides with the corresponding elements. Furthermore, the FCC has ruled that CIPA deficiencies are curable.

AAD RESPONSE

AAD does not concur with the Beneficiary's argument that "…the school's CIPA policy … follows ALL of the required CIPA elements." As stated in the Condition, the ISP did not sufficiently address the following required Internet safety elements:

- The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;
- Unauthorized access, including so-called "hacking," and other unlawful activities by minors on-line;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors;
- Educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.

The Beneficiary provided to AAD an ISP which contains text referenced by the Beneficiary, which the Beneficiary asserts is "…the alleged element that is clearly in the document." AAD does not concur with this assertion. The text referenced by the Beneficiary is merely a restatement of the required element. The ISP does not indicate the specific actions that will be taken by the Beneficiary to address the required element. Restating the element itself is not sufficiently addressing the element.

The Beneficiary states that the FCC has ruled that CIPA deficiencies are curable. AAD does concur with this statement. As stated in the Recommendation, the Beneficiary must cure this CIPA violation within six months following receipt of the audit report by providing reasonable public notice, holding a public meeting or hearing to address its ISP, and updating the ISP to include all elements as required by the Rules.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.516(b) (2015).	Schools, libraries, consortia, and service providers shall produce such records at the request of any representative (including any auditor) appointed by a state education department, the Administrator, the FCC, or any local, state or federal agency with jurisdiction over the entity.
#1	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd. 15808, 15825-26, para. 50 (2004) (*Fifth Report and Order*).	We also conclude that failing to comply with an authorized audit or other investigation conducted pursuant to section 54.516 of the Commission's rules (*e.g.*, failing to retain records or failing to make available required documentation) is a rule violation that may warrant recovery of universal service support monies that were previously disbursed for the time period for which such information is being sought.
#1, #2	47 C.F.R. § 54.516(a)(1) (2015).	Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.
#1, #2	47 C.F.R. § 54.702(n) (2015).	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards. In administering the Universal Service Fund, the Administrator shall also comply with all relevant and applicable federal financial management and reporting statutes.
#2	47 C.F.R. § 54.520(c)(1)(i), (ii) (2015).	(i) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The school must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(1) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose. This Internet safety policy must also include monitoring the online activities of

		minors. Beginning July 1, 2012, schools' Internet safety policies must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response. (ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues: (A) Access by minors to inappropriate matter on the Internet and World Wide Web, (B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications, (C) Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online; (D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and (E) Measures designed to restrict minors' access to materials harmful to minors.
#2	47 C.F.R. § 54.520(h) (2015).	A school or library shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: November 14, 2019

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment**	Entity Disagreement
District of Columbia International School **Attachment F**	3	• Beneficiary Over-Invoiced SLP for Services and Equipment Not in Use – Five UPS units were not in operation at the time of the on-site equipment inspection.	$123,899	$6,153	$6,153	$0	N
Gateway Community Action Partnership **Attachment G**	3	• Beneficiary Over-Invoiced SLP for Ineligible Locations and Students. The Beneficiary included ineligible students less than three years old and unapproved, ineligible entities in its request for reimbursement to USAC.	$127,175	$33,394	$33,394	$0	Y
Total	**6**		**$251,074**	**$39,547**	**$39,547**	**$0**	

* The Monetary Effect amount represents the actual dollar effect of the finding(s) without taking into account any overlapping exceptions that exist in multiple findings. Thus, the total Monetary Effect may exceed the Amount of Support that was disbursed to the Beneficiary.

** The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

Attachment F

SL2018BE018

Available for Public Use

District of Columbia International School
Audit ID: SL2018BE018
(BEN: 17006181)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2017 as of November 30, 2018

Prepared for: Universal Service Administrative Company

As of Date: October 28, 2019

KPMG LLP
800 South Gay Street
Suite 910
Knoxville, TN 37929

TABLE OF CONTENTS

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EXECUTIVE SUMMARY

October 28, 2019

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

Dear Mrs. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the District of Columbia International School, Billed Entity Number ("BEN") 17006181, ("DCI") for disbursements of $123,899 and commitments of $154,972, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of November 30, 2018 (hereinafter "Funding Year 2017"). Our work was performed during the period from December 12, 2018 to October 28, 2019, and our results are as of October 28, 2019.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The audit objective of our work was to evaluate the Beneficiary's compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program ("E-rate Program") set forth in 47 C.F.R. Part 54 of the Federal Communications Commission's ("FCC") Rules as well as other program requirements (collectively, the "Rules") that determined the Beneficiary's eligibility and resulted in commitments of $154,972 and disbursements of $123,899 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the Rules based on our audit.

As our report further describes, KPMG identified three findings as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on these results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2017 were $6,153 higher than they would have been had the amounts been reported properly.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated October 28, 2019.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
CIPA	Children's Internet Protection Act
DCI	District of Columbia International School
ESL	Eligible Services List
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children's Internet Protection Act and Technology Plan Certification Form
FCC Form 500	Funding Commitment Adjustment Request Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of November 30, 2018)
Item 21	Description of the products and services for which discounts are sought in the FCC Form 471
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
UPS	Uninterruptible Power Supply
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2018BE018-F01: Beneficiary Over-Invoiced SLP for Equipment and Services Not In Use – Under FRN 1799072860, five UPS units were not in operation at the time of the on-site equipment inspection.	$4,200	$4,200
SL2018BE018-F02: Beneficiary Over-Invoiced SLP for Equipment and Services Not Received – Under FRN 1799072860, the Beneficiary requested and was reimbursed for eighteen UPS units, but only sixteen units were received.	$1,680	$1,680
SL2018BE018-F03: Service Provider Over Invoiced SLP for Ineligible Services – Under FRN 1799099028, the Beneficiary received reimbursement for ineligible features per the Funding Year 2017 ESL for the E-rate Program.	$273	$273
Total Net Monetary Effect	**$6,153**	**$6,153**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. USAC will request the Beneficiary and Service Provider provide copies of policies and procedures implemented to address the issues identified. During the recovery review process, if there are other FRNs that fall under these findings there may be additional recoveries or commitment adjustments.

Information about service delivery deadlines and the process for requesting an extension is available on USAC's website at (https://www.usac.org/sl/applicants/before-youre-done/delivery-extension.aspx) and (https://www.usac.org/sl/applicants/before-youre-done/500-filing.aspx.). USAC also offers an online applicant training portal containing 14 courses that were delivered during the 2018 fall applicant training available at (https://www.usac.org/sl/about/outreach/applicant-training-series.aspx). Please see the course entitled "Basic Concepts" for information related to service delivery extensions and the course entitled "E-rate Filing Process: Post-Commitment" for information related to filing the FCC Form 500.

Information about invoicing for applicants is available in the presentation entitled "Navigating the E-rate Invoicing Process" available at (https://www.usac.org/sl/about/outreach/2018-training.aspx) and at USAC's website available at (https://www.usac.org/sl/applicants/step06/default.aspx). USAC also offers a Billed Entity Applicant Reimbursement (BEAR) form training website where applicants can practice filing the FCC Form 472 (BEAR form) available at https://www.usac.org/sl/about/outreach/bear-training-site.aspx). USAC also offers two webcasts to help applicants understand the Invoicing process available at (https://register.gotowebinar.com/register/8853081102717051650) and (https://register.gotowebinar.com/register/5739235589531224834?source=Webinars+page).

Information about invoicing for service providers is available in the presentations entitled "Introduction to Invoicing" and "Advanced Invoicing" available at (https://www.usac.org/sl/about/outreach/2018-training.aspx) and on USAC's website available at (https://www.usac.org/sl/service-providers/step05/default.aspx).

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount
1799072860	$5,880
1799099028	$273
Total	**$6,153**

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. The purpose of USAC is to administer the USF through four support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries. These four support mechanisms ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $149,323 and disbursements of $123,899 made for Funding Year 2017.

Beneficiary Overview

The District of Columbia International School (BEN# 17006181) is a secondary public charter school located in Washington, DC that serves over 800 students.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	$ 60,647	$ 37,488
Voice Services	$ 2,133	$ 997
Internal Connections	$ 85,414	$ 85,414
Basic Maintenance of Internal Connections	$ 6,778	$ 0
Total	**$154,972**	**$123,899**

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of November 30, 2018.

The committed total represents two FCC Form 471 applications with six FRNs. We selected five FRNs, which represent $154,505 of the funds committed and $123,899 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary. During the course of our audit, we noted one of the five FRNs was cancelled via FCC Form 500, and therefore we did not test that FRN, which represented $5,182 of the funds committed.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $154,972 and disbursements of $123,899 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select Service Providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

KPMG identified the following areas of focus for this performance audit:

1. Application Process
2. Competitive Bid Process
3. Calculation of the Discount Percentage
4. Invoicing Process
5. Site Visit
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. **Application Process**

   We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

   We obtained and examined documentation to determine whether the Beneficiary complied with the FCC's CIPA requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy, and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

2. **Competitive Bid Process**

   For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that 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 reviewed the Service Provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

3. **Calculation of the Discount Percentage**

   For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

4. **Invoicing Process**

   For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPI) 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.

5. **Site Visit**

   For the FRNs audited, 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 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.

6. **Reimbursement Process**

   For the FRNs audited, we 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, we reviewed invoices associated with the BEAR and SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services claimed on the

SPI and BEAR 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 Program Eligible Services List.

7. Record Keeping

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. Final Risk Assessment

Based on the performance of the above audit procedures for the sampled FRNs, KPMG concluded that expansion of the scope of the audit was not warranted since all FRNs related to Funding Year 2017 were selected for testing.

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified three findings. The findings, including the condition, cause, effect, recommendation, Beneficiary response, and Service Provider response are as follows:

Finding No.	**SL2018BE018-F01: Beneficiary Over-Invoiced SLP for Equipment and Services Not In Use**
Condition	The Beneficiary did not place Category Two equipment into service by September 30 following the close of Funding Year 2017. Under FRN 1799072860, the Beneficiary requested and received reimbursement for eighteen UPS units. At the time of the on-site equipment verification, five UPS units were not in service. Four of the units were in sealed boxes; the remaining unit was located in the basement and was not in use.
Cause	The Beneficiary did not have an adequate process with related controls to ensure that E-rate funded equipment was placed into service in accordance with Program rules and regulations.
Effect	The monetary effect for this finding is $4,200 (calculated as the cost of the five pieces of equipment purchased at $1,050 each multiplied by the discount rate of 80%).
Recommendation	KPMG recommends that the Beneficiary develop a formal process and controls to ensure: 1. Funding requests for Category Two equipment include only items that are expected to be immediately utilized, and 2. All equipment procured with Program funds are installed and operating at the location requested per the authorizing FCC Form 471 by September 30 following the close of the Funding Year.
Beneficiary Response	DCI recognizes this discrepancy and have reviewed and ensured that our controls and procedures include ensuring all equipment included in the E-rate reimbursements are necessary and immediately installed.

Finding No.	**SL2018BE018-F02: Beneficiary Over-Invoiced SLP for Equipment and Services Not Received**
Condition	Under FRN 1799072860, the Beneficiary was reimbursed for eighteen UPS units during Funding Year 2017; however, only sixteen UPS units were located during the on-site equipment verification. Per review of the associated Service Provider

	bills and the Beneficiary's Fixed Asset Listing, only sixteen UPS units were received. The Service Provider bill indicated 16 units were purchased at a price of $1,050 per unit. The correct total for the 16 units should have been $16,800. However, the Service Provider bill incorrectly indicated the total was $18,900, which is the price for 18 units.
Cause	The Beneficiary did not have an effective internal control to prevent improper payments. Additionally, the public charter school lacks an effective review to ensure only the cost of goods and services received are included within reimbursement requests to USAC.
Effect	The monetary effect for this finding is $1,680 (calculated as the total cost of the two UPS units at $1,050 each, multiplied by the discount rate of 80%), which represents amounts disbursed for the equipment not received by the Beneficiary.
Recommendation	KPMG recommends the Beneficiary implement controls and procedures to ensure all requests for reimbursement from the E-rate Program are accurate. Specifically, the Beneficiary should implement controls to ensure reimbursement requests for equipment include only items that have been received prior to Program deadlines.
Beneficiary Response	DCI recognizes this discrepancy and have reviewed our controls and procedures to ensure they include reviewing reimbursements for accuracy.

Finding No.	**SL2018BE018-F03: Service Provider Over-Invoiced SLP for Ineligible Services**
Condition	The Beneficiary received reimbursement for ineligible features as defined by the Funding Year 2017 ESL for the E-rate Program. In reviewing the September - November 2017 voice service bills for FRN 1799099028, the Beneficiary sought and received reimbursement for PRI Port Volume II Package services, which was not listed as an eligible service per the ESL for Funding Year 2017 and was not included in the services requested, as described on FCC Form 471 No. 171023850. The undiscounted amount of the service was approximately $410/month before taxes and was included within requests for reimbursement for each of the three months.
Cause	The Beneficiary utilized the SPI method for E-rate reimbursement requests. Both the Beneficiary and Service Provider did not have adequate review processes in place to identify and remove all ineligible items from the SPI forms submitted to USAC.
Effect	The monetary effect for this finding is $273 (calculated as the total cost including taxes of the ineligible service for three months of $1,365, multiplied by the discount rate of 20%), which represents amounts disbursed for ineligible services under FRN 1799099028.
Recommendation	KPMG recommends that the Beneficiary enhance the review of Service Provider bills upon receipt and prior to the Service Provider's submission of reimbursement

requests to USAC to identify ineligible charges and ensure that such charges are removed from the request for E-rate support.

Beneficiary Response	We agree with the recommendation and will enhance our review of Service Provider invoices.
Service Provider Response	While completing the spreadsheet, [Verizon] found 3 months that were calculated incorrectly. September, October and November included credit for an ineligible service. Sept credit was $257.75 and should have been $166.81 difference of $90.94 Oct credit was $156.73 and should have been $65.81 difference of $90.92 Nov credit was $155.20 and should have been $64.15 difference of $91.05 Total credit received in error $272.91 Verizon will charge back the credit given in error on FRN 1799099028 and return the funds to USAC.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. §54.507(d)(4) (2016)	"The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year."
#1	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd. 26912, para. 26 (2003)	"Recipients of support are expected to use all equipment purchased with universal service discounts at the particular location, for the specified purpose for a reasonable period of time."
#1 & #2	47 C.F.R. §54.504(a)(1)(v) (2016)	"(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: (v) The services the school, library, or consortium purchases at discounts will be used primarily for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value, except as allowed by §54.513."
#2	Schools and Libraries (E-rate) Program, FCC Form 472 (BEAR) User Guide, at 4, 18	"ALL of the following conditions must occur before the applicant prepares and submits an FCC Form 472 to USAC: 1. The applicant receives a Funding Commitment Decision Letter (FCDL) from USAC which approves discounts for services; AND 2. The applicant is already receiving or has received these services and has already paid the full cost of the services, including the price of the discounts;…" "The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486."
#3	Schools and Libraries (E-rate) Program, FCC Form 473 (SPAC) User Guide, at 8	Service Providers must certify on the FCC Form 473 that: "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

Finding	Criteria	Description
		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."
#3	Schools and Libraries (E-rate) Program, FCC Form 474 (SPI) User Guide, at 3	"ALL of the following conditions must occur before a service provider prepares and submits the FCC Form 474 to USAC: 1. The service provider receives a Funding Commitment Decision Letter (FCDL) from USAC which approves eligible discounts for services; AND 2. The eligible applicant is already receiving or has received these services; AND 3. The service provider has billed the applicant for its non-discount share of the services; AND 4. The service provider has received its FCC Form 486 Notification Letter; AND 5. The service provider has filed an FCC Form 473, Service Provider Annual Certification Form, for the corresponding funding year."
#3	47 C.F.R. Section 54.502(a) (2016)	"*Supported services*. Supported services are listed in the Eligible Services List ("ESL") as updated annually in accordance with paragraph (b) of this section." The conditions for eligibility are described in the ESL for each Funding Year, which are available on the USAC website.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified three findings: Beneficiary Over-Invoiced SLP for Equipment and Services Not In Use, Beneficiary Over-Invoiced SLP for Equipment and Services Not Received, and Service Provider Over-Invoiced SLP for Ineligible Services. Detailed information relative to the findings is described in the Findings, Recommendations and Beneficiary Responses section above.

The combined estimated monetary effect of these findings is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery
Internal Connections	$6,153	$6,153
Total Impact	**$6,153**	**$6,153**

KPMG recommends that the Beneficiary:

1) Develop a formal process and controls to ensure funding requests for Category Two equipment include only items that are expected to be utilized at the location requested per the corresponding FCC Form 471 for a minimum of three years, and ensure all equipment is installed and operating by September 30 following the close of the Funding Year.
2) Implement controls and procedures to ensure all requests for reimbursement from the E-rate Program are accurate. Specifically, the Beneficiary should implement a control to ensure reimbursement requests for equipment include only items have been received and placed into service prior to the request.
3) Enhance the review of Service Provider bills upon receipt and prior to the Service Provider's submission of reimbursement requests to USAC to identify ineligible charges and ensure that such charges are removed from the request for E-rate support.

Attachment G

SL2017LR072

Available for Public Use

Universal Service Administrative Co.

Gateway Community Action Partnership

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2017LR072

TABLE OF CONTENTS

EXECUTIVE SUMMARY

May 9, 2019

Mr. Albert Kelly, President and CEO
Gateway Community Action Partnership
110 Cohansey Street
Bridgeton, NJ 08302

Dear Mr. Kelly,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Gateway Community Action Partnership (Beneficiary), Billed Entity Number (BEN) 16040713, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the 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 three detailed audit findings (Findings) 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 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 Federal Communications Commission (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,

FOR Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: FCC Form 472 (BEAR) User Guide at 18 (Apr. 2017); 47 C.F.R. § 54.501(a)(1)(2015) - Beneficiary Over-Invoiced SLP for Ineligible Locations and Students. The Beneficiary included ineligible students less than three years old and unapproved, ineligible entities in its request for reimbursement to USAC.	$33,394	$33,394	$0
Finding #2: 47 C.F.R. § 54.505 (b)(1),(4)(2015) - Inadequate Discount Calculation Process – Documentation Did Not Match Amounts Reported and Beneficiary Did Not Include All Eligible Locations on the FCC Form 471. The Beneficiary did not identify the appropriate locations on its FCC Forms 471, and the enrollment documentation provided by the Beneficiary does not support the enrollment and NSLP amounts listed in the Beneficiary's FCC Forms 471.	$0.00	$0.00	$0
Finding #3: 47 C.F.R. § 54.520(c)(1)(i),(ii)(2015) - Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements. The Beneficiary did not address three of the required elements in its Internet Safety Policy.	$0.00	$0.00	$0
Total Net Monetary Effect	**$33,394**	**$33,394**	**$0**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. If there are other FRNs that fall under the scope of the findings there will be additional recoveries or commitment adjustments. USAC will request that the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional rule requirement resources on Invoicing, Discount Calculation, Eligibility, and CIPA. Links to these resources are listed below:

- https://www.usac.org/sl/applicants/beforeyoubegin/non-traditional/default.aspx
- https://www.usac.org/sl/applicants/beforeyoubegin/non-traditional/eligibility-table.aspx
- https://www.usac.org/sl/about/outreach/2018-training.aspx
- https://www.usac.org/sl/applicants/step06/default.aspx
- https://www.usac.org/sl/about/outreach/bear-training-site.aspx
- https://register.gotowebinar.com/register/8853081102717051650
- https://register.gotowebinar.com/register/5739235589531224834?source=Webinars+page
- https://www.usac.org/sl/about/outreach/2018-training.aspx
- https://www.usac.org/sl/applicants/step03/discounts.aspx
- https://www.usac.org/sl/applicants/step05/cipa.aspx
- https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=831

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount
1699069225	$10,135
1699069247	$18,946
1699069277	$4,313
Total	**$33,394**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

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

SCOPE
The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$127,774	$0
Basic Maintenance of Internal Connections	$2,295	$0
Internet Access	$52,607	$44,168
Voice	$145,236	$83,007
Total	**$327,912**	**$127,175**

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

The committed total represents four FCC Form 471 applications with fourteen Funding Request Numbers (FRNs). AAD selected five of the fourteen FRNs,[1] which represent $226,136 of the funds committed and $90,928 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

BACKGROUND
The Beneficiary is an organization that offers multi-generational programs which includes education, with its main office located in Bridgeton, New Jersey. The Beneficiary serves over 1,550 students in its Head Start Program.

PROCEDURES
AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were or will be used in accordance with the Rules. AAD used inquiry and direct observation to determine whether the Beneficiary was eligible to receive SLP funds and had the necessary resources to support the services for which funding was requested. AAD also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

[1] The FRNs included in the scope of this audit were: 1699090828, 1699069247, 1699069225, 1699069277, and 1699145288.

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

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services and 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 or executing month-to-month agreements with the selected service providers. AAD examined the service provider contracts to determine whether they were properly executed. We evaluated the services requested and purchased for cost effectiveness as well.

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 (BEARs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Site Visit

AAD performed a site visit to evaluate the location and use of services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the 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 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 for services provided to the Beneficiary. AAD verified that the services identified on the BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: FCC Form 472 (BEAR) User Guide at 18; 47 C.F.R. § 54.501(a)(1)(2015) - Beneficiary Over-Invoiced SLP for Ineligible Locations and Students

CONDITION

AAD conducted inquries and requested and examined documentation, including the Beneficiary's FCC Forms 471, student enrollment data, and the Billed Entity Applicant Reimbursement (BEAR) forms, to determine whether the services provided to locations and students and invoiced to SLP were eligible to receive SLP support for FRNs 1699069225, 1699069247 and 1699069277. The Beneficiary provides educational programs, including Early Learning Centers, Early Head Start, and Head Start, along with a variety of other programs for newborns, toddlers, families, adults, and the elderly.[2] The Beneficiary's Early Learning Centers, Early Head Start, and Head Start programs include children ages zero to five years.[3] As indicated in the *Eligibility Table for Non-Traditional Education* on USAC's website, "Head Start services for children less than three years old are not eligible for discounts and must be cost allocated, unless otherwise noted."[4]

AAD conducted a site visit to the Beneficiary's location and observed the Beneficiary's child care and Head Start programs and identified children less than three years old. In its FCC Form 471 nos. 161033245 and 161041656, the Beneficiary listed 895 and 943 students enrolled, respectively. The Beneficiary did not provide documentation that substantiated the number of eligible students in the FCC Forms 471. AAD obtained and examined documentation provided by the Beneficiary, including an enrollment report for its Head Start and Early Head Start programs, and a list of Head Start locales from the United States Department of Health Human Services website. AAD determined that three locations included in the Beneficiary's FCC Forms 471, Sicklerville, Germantown, and Seabrook Room at Rivers Edge EHS, are not eligible for SLP support because they are Early Head Start locations serving only students under the age of three years old.

In addition, AAD determined that 15 Head Start locations (Atlantic Cape College ELC 1, Atlantic Cape College ELC 2, Galloway, Hamilton 1, Hammonton, Landisville, Linwood, Ocean City, Pleasantville, Spruce Avenue, Usry, Ventnor, Villas, Wildwood and Woodbine) would have been eligible for SLP support but were not included in the recipients of services on the Beneficiary's FCC Forms 471. Therefore, SLP did not commit support for these locations. Further, among the eligible Head Start locations requested for SLP support in the Beneficiary's FCC Forms 471, four locations included both eligible Head Start and ineligible Early Head Start students, as follows:

Location	Eligible Head Start Students	Ineligible Early Head Start Students	Total Students	Percent of Ineligible Students
Paulsboro	34	12	46	26%
Penns Grove I & II	97	16	113	15%

[2] *See* Gateway Community Action Partnership's website at http://www.gatewaycap.org/?DivisionID=14602.

[3] *See* Gateway Community Action Partnership's website at http://www.gatewaycap.org/?DivisionID=14602&DepartmentID=15186.

[4] *See* USAC's website at http://www.usac.org/sl/applicants/beforeyoubegin/non-traditional/eligibility-table.aspx.

Vineland 2	75	16	91	18%
Williamstown I	66	24	90	27%

The Beneficiary utilizes a general ledger (GL) code structure where the first three digits (e.g., "123") represent the department or location. In its BEAR forms, the Beneficiary invoiced SLP for costs assigned to GL codes beginning with 4 or beginning with 5, with the exception of GL codes 476 and 480. AAD compared the locations associated with the GL codes to the Beneficiary's FCC Form 471 and determined that the GL codes beginning with 4, excluding GL codes 476 and 480, were Head Start locations requested in the Beneficiary's FCC Form 471 and the GL codes beginning with 5 were Head Start locations not requested in the Beneficiary's FCC Form 471. The three ineligible Early Head Start locations included in the Beneficiary's FCC Form 471 were not included among the GL codes beginning with 4 or 5 used in determining the pre-discounted costs in the BEAR forms. Therefore, the Beneficiary over-invoiced SLP for the costs of services delivered to locations not requested in the FCC Form 471 (*i.e.*, GL codes beginning with 5) and for services for ineligible students ages 0 to 2 years at locations requested in the FCC Form 471 (*i.e.*, GL codes beginning with 4) that serve both Head Start and Early Head Start students.

To determine the pre-discounted costs that should have been invoiced to SLP by the Beneficiary, AAD examined the service provider bills and the costs assigned to the GL codes. For FRN 1699069225 for cell phone services, AAD included the costs for GL codes beginning with 4, excluding GL codes 476 and 480, and also included the costs assigned to personnel in the Head Start administrative building that were assigned to GL codes other than those that begin with 4 but that served the Head Start locations that begin with 4. All other GL codes were excluded from eligible costs. There were no costs invoiced to SLP for services to locations that serve both Head Start and Early Head Start students in the GL codes beginning with 4; thus, no other allocation for ineligible Early Head Start students was necessary. The amount over-invoiced to SLP was $10,135 ($39,144 - $29,009), as follows:

	Pre-Discounted Costs for 400 Series GL Codes, Excluding GL Codes 476 and 480	**Pre-Discounted Costs for Administrative Personnel Serving 400 Series GL Code Locations**	**Total Eligible Pre-Discounted Costs**	**Beneficiary's Discount Rate**	**Discounted Eligible Costs**	**Discounted Costs Invoiced to SLP**
Jul. 2016	$3,207	$1,176	$4,383	50%	$2,192	$3,262
Aug. 2016	$3,169	$1,189	$4,358	50%	$2,179	$3,262
Sep. 2016	$3,249	$1,397	$4,646	50%	$2,323	$3,262
Oct. 2016	$3,240	$1,189	$4,429	50%	$2,215	$3,262
Nov. 2016	$3,194	$1,154	$4,348	50%	$2,174	$3,262
Dec. 2016	$5,349	$1,236	$6,585	50%	$3,293	$3,262
Jan. 2017	$4,741	$1,234	$5,975	50%	$2,988	$3,262
Feb. 2017	$4,423	$1,370	$5,793	50%	$2,896	$3,262
Mar. 2017	$3,371	$1,236	$4,607	50%	$2,303	$3,262
Apr. 2017	$3,170	$1,019	$4,189	50%	$2,094	$3,262
May 2017	$3,201	$1,003	$4,204	50%	$2,102	$3,262
Jun. 2017	$3,406	$1,094	$4,500	50%	$2,250	$3,262
Total	**$43,720**	**$14,297**	**$58,017**		**$29,009**	**$39,144**

For FRNs 1699069247 and 1699069277 for Internet and local and long-distance voice services, respectively, AAD included the costs for GL codes beginning with 4, excluding GL codes 476 and 480. AAD then deducted the costs allocated to ineligible Early Head Start students using the ineligible student percentage above for locations that included both eligible Head Start and ineligible Early Head Start students. There were no administrative costs in other GL codes to include in the eligible costs. For FRN 1699069277, AAD also excluded costs for ineligible non-listed telephone service charges. The amounts over-invoiced to SLP were $18,946 ($29,389 - $10,443) for FRN 1699069247 and $4,313 ($22,392 - $18,079) for FRN 1699069277, as follows:

FRN 1699069247

	Pre-Discounted Costs for 400 Series GL Codes, including 476 and 480	Less Pre-Discounted Costs for Ineligible Early Head Start Students at 400 Series GL Code Locations, Codes 476 and 480	Total Eligible Pre-Discounted Costs	Beneficiary's Discount Rate	Discounted Eligible Costs	Discounted Costs Invoiced to SLP
Jul. 2016	$10,752	$9,739	$1,013	90%	$912	$2,449
Aug. 2016	$8,247	$7,234	$1,013	90%	$912	$2,449
Sep. 2016	$10,129	$9,116	$1,013	90%	$912	$2,449
Oct. 2016	$10,715	$9,702	$1,013	90%	$912	$2,449
Nov. 2016	$9,024	$8,349	$675	90%	$607	$2,449
Dec. 2016	$10,723	$9,710	$1,013	90%	$912	$2,449
Jan. 2017	$11,094	$10,067	$1,027	90%	$924	$2,449
Feb. 2017	$10,554	$9,528	$1,026	90%	$923	$2,449
Mar. 2017	$12,015	$10,914	$1,101	90%	$991	$2,449
Apr. 2017	$11,574	$10,493	$1,081	90%	$973	$2,449
May 2017	$11,464	$10,803	$661	90%	$595	$2,449
Jun. 2017	$11,935	$10,968	$967	90%	$870	$2,450
Total	**$128,226**	**$116,623**	**$11,603**		**$10,443**	**$29,389**

FRN 1699069277

	Pre-Discounted Costs for 400 Series GL Codes including Codes 476 and 480	Less Pre-Discounted Costs for Ineligible Early Head Start Students at 400 Series GL Code Locations, Codes 476 and 480	Less Ineligible Pre-Discounted Non-Listed Telephone Service Costs	Total Eligible Pre-Discounted Costs	Beneficiary's Discount Rate	Discounted Eligible Costs	Discounted Costs Invoiced to SLP
Jul. 2016	$8,976	$5,933	$13	$3,030	50%	$1,515	$1,866
Aug. 2016	$8,916	$5,913	$13	$2,990	50%	$1,495	$1,866
Sep. 2016	$9,087	$5,983	$13	$3,091	50%	$1,545	$1,866

Oct. 2016	$7,816	$4,817	$13	$2,986	50%	$1,493	$1,866
Nov. 2016	$8,127	$5,188	$13	$2,926	50%	$1,463	$1,866
Dec. 2016	$8,108	$5,179	$13	$2,916	50%	$1,458	$1,866
Jan. 2017	$8,317	$5,300	$13	$3,004	50%	$1,502	$1,866
Feb. 2017	$8,364	$5,321	$13	$3,030	50%	$1,515	$1,866
Mar. 2017	$8,397	$5,331	$13	$3,053	50%	$1,527	$1,866
Apr. 2017	$12,115	$9,008	$13	$3,094	50%	$1,547	$1,866
May 2017	$10,708	$7,693	$13	$3,002	50%	$1,501	$1,866
Jun. 2017	$10,778	$7,730	$13	$3,035	50%	$1,518	$1,866
Total	**$109,709**	**$73,396**	**$156**	**$36,157**		**$18,079**	**$22,392**

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing eligibility requirements for Head Start services to children less than three years old. In addition, the Beneficiary did not have adequate controls and procedures in place to perform a sufficient review of forms submitted to SLP to ensure only eligible locations and students were requested in its FCC Form 471 and invoiced to SLP. The Beneficiary utilized a consultant to complete its FCC Form 471 without designating an employee to perform a subsequent review to ensure the information on the form was accurate. The Beneficiary also did not conduct a sufficient review of its BEAR forms to ensure only eligible locations requested in its FCC Form 471 and services delivered only to eligible students were included in its BEAR forms.

EFFECT

The monetary effect of this finding is $33,394. This amount represents the total funds disbursed by SLP for the services invoiced to SLP that were not allocated between eligible and ineligible locations and students, as summarized below:

FRN	Amount
1699069225	$10,135
1699069247	$18,946
1699069277	$4,313
Total	**$33,394**

RECOMMENDATION

AAD recommends USAC management seek recovery of $33,394. The Beneficiary must properly allocate the costs of services requested and invoiced to SLP between eligible and ineligible locations and students to ensure that SLP support is committed and disbursed for only eligible students. AAD also recommends the Beneficiary take advantage of the various outreach efforts provided by SLP, including the annual Fall Applicant training, webinars, newsletters, etc. The Beneficiary can learn more about the Rules governing eligible students and locations on USAC's website at http://www.usac.org/sl/applicants/beforeyoubegin/non-traditional/default.aspx.

BENEFICIARY RESPONSE

All active locations of our head start program were included in all correspondence to/from our consultant, including the bear form in question. The above finding has been summarized to the following:

- Under FRN 1699069247 (Comcast IA), 854 Glassboro Road, Williamstown, NJ was left off due to it being labeled as a health office. This isn't an actual health clinic, it is administrative space for a few different coordinators in Gloucester County. Total allocation should be $1,270 added back.

- At the bottom of the summary, I've broken down the actual amount due back (for 0-3 year olds), which totals $7,927, and the amount of the Atlantic County sites that we'll be disputing ($24,197). Please review "Monetary Finding Reconciliation", as the 0-3 year olds are due to accounts 476 & 480 (EHS Portion), along with an allocation of the EHS in FRN 1699069247.

It is Gateway's position that locations left off of Form 471 due to EPC system errors that prevented the proper migration of entity data during the initial setup of the EPC system. Due to various inherent flaws in USAC's EPC system as described in detail in Chairman Pai's April 18, 2017, letter to Chris Henderson of USAC, the USAC EPC ("Epic") Portal system, and USAC as a whole, have "serious flaws. The Chairman specifically instructed USAC to "identify alternative options to assist applicants even in the event of IT failures." This is a clear example of what Chairman Pai describes in his April 18, 2017 letter addressed to Chris Henderson as "serious flaws in USAC's administration of the E-Rate program – flaws that relate to the process by which schools and libraries apply for E-Rate funding and that are preventing many schools and libraries from getting their funding". In addition on FCC Remand - DA #119-116, USAC was instructed to add these sites back to their applications for 2016 more specifically application 161041707. USAC should, as per this remand, add back the missing sites to this application.

Block Line Systems	1699069277	
E-Rate Funding Received	$22,392	
Deemed Eligible by USAC	$18,079	
Disallowance	$4,313	
AC Portion	$(3,101)	Dispute
EHS Portion (Actual Due)	$ (1,212)	

Comcast	1699069247	
E-Rate Funding Received	$29,389	
Deemed Eligible by USAC	$10,443	
Disallowance	$18,946	
EHS Allocation (Actual Due Back)	$ (1,439)	
AC Portion	$(11,491)	
EHS Portion (Actual Due Back)	$ (6,016)	
Add back 854 Williamstown Rd	$ 1,270	Dispute

Verizon Wireless	1699069225	
E-Rate Funding Received	$39,144	
Deemed Eligible by USAC	$29,009	
Disallowance	$10,135	
EHS Portion (Actual Due Back)	$ (530)	
AC Portion	$(9,605)	Dispute

Actual Due Back	$(9,197)

Add back 854 GB Road	$ 1,270
Monetary to USAC	$(7,927)
Dispute Findings	$(24,197)

AAD RESPONSE

In its response, the Beneficiary asserts that "locations left off of [the FCC] Form 471 [were] due to EPC system errors that prevented the proper migration of entity data during the initial setup of the EPC system." These locations include the Atlantic County sites that the Beneficiary states "we'll be disputing." In accordance with the Rules, the Beneficiary, upon receipt of an FCC Form 741 Receipt of Acknowledgement Letter (RAL), "is expected to review the RAL for accuracy and, if necessary, follow the included instructions for correcting clerical or ministerial errors in the submitted FCC Form 471 application…."[5] However, the Beneficiary did not provide documentation demonstrating that it reviewed the RAL and informed USAC of errors in the FCC Form 471 application.

As referred to in the Beneficiary's response, AAD acknowledges that Chairman Pai issued a letter dated April 18, 2017 stating that a "specific problem involves USAC's development and roll-out of the online E-rate Productivity Center (EPC)." However, Public Notice DA 19-116, referred to in the Beneficiary's response, did not specify action to be taken by USAC related to the EPC issues. The Public Notice granted, dismissed, and denied requests for review, requests for waiver, and petitions for reconsideration of decisions related to actions taken by USAC. Although the FCC granted an appeal filed by the Beneficiary in DA 19-116, the appeal was only to request a waiver for the 60-day appeal filing requirement and the FCC made "no finding on the underlying issues in this appeal and remand[ed] these applications back to USAC to make a determination on the merits."[6] The Beneficiary provided no additional documentation demonstrating it had informed USAC that locations were omitted in the FCC Form 471 application.

In addition, the Beneficiary stated in its response that the 854 Glassboro Road location was left off the allocation because it was labeled as a health office, but was an administrative space for Beneficiary personnel and that the costs for this location should be added back to the costs of eligible services. However, the Beneficiary did not provide documentation supporting this assertion.

AAD is required to conduct its audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require auditors to obtain sufficient, appropriate evident to substantiate audit findings and conclusions.[7] Because the Beneficiary did not provide the documentation, AAD is unable to conclude that the

[5] *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 26 FCC Rcd. 6487, para. 3 (Apr. 14, 2011).

[6] See *Streamlined Resolution of Requests Related to Actions by the Universal Service Administrative Company*, Public Notice, DA 19-116, at 3 (Feb. 28, 2019).

[7] 47 C.F.R. § 54.702(n) (2015). *See also* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

Beneficiary reviewed the RAL and informed USAC of errors in the FCC Form 471 application or that the 854 Glassboro Road location was an eligible location.

Therefore, for the reasons stated above, AAD's position on this Finding remains unchanged.

Finding #2: 47 C.F.R. § 54.505(b)(1),(4)(2015) - Inadequate Discount Calculation Process – Documentation Did Not Match Amounts Reported and Beneficiary Did Not Include All Eligible Locations on the FCC Form 471

CONDITION

AAD obtained and examined documentation, including the Beneficiary's FCC Forms 471, the Head Start and Early Head Start enrollment provided by the Beneficiary, and the United States Department of Health & Human Services' *Head Start Center Locator* (Locator), to determine whether the Beneficiary included all eligible locations and properly calculated its discount percentage in its FCC Forms 471 for FRNs 1699069225, 1699069247, 1699069277, and 1699090828. Based on review of the documentation provided by the Beneficiary, total enrollment for eligible Head Start students is 1,550. This represents the total Head Start program students and excludes ineligible Early Head Start program students under the age of three.[8] In its FCC Form 471 application no. 161033245 for FRNs 1699069225, 1699069247 and 1699069277, the Beneficiary identified 895 students enrolled and 895 students eligible for NSLP. In its FCC Form 471 application no. 161041656 for FRN 1699090828, the Beneficiary identified 943 students enrolled and 943 students eligible for NSLP. The Beneficiary's SLP discount rate based on 100 percent NSLP eligibility is 90 percent for Category 1 services (excluding voice services), 85 percent for Category 2 services, and 50 percent for voice services.

AAD compared the Beneficiary's enrollment report to the Locator results and identified three locations on the enrollment report that were not included in the Locator results but included in the Beneficiary's FCC Forms 471. The Beneficiary's enrollment report identified the three locations as Early Head Start rather than Head Start, which are ineligible. Therefore, the locations should not have been included in the FCC Forms 471. AAD also identified 15 locations included on both the Beneficiary's enrollment report and the Locator results but not included in the Beneficiary's FCC Forms 471. As these are eligible Head Start locations part of the Beneficiary's school district, the locations should have been included in the FCC Forms 471.

Because the Beneficiary did not identify the appropriate locations on its FCC Forms 471 and the enrollment documentation provided by the Beneficiary does not support the enrollment and NSLP amounts listed in the Beneficiary's FCC Forms 471, the Beneficiary's discount calculation process used for completing its FCC Forms 471 is not adequate. However, United States Department of Agriculture (USDA) guidance states that children enrolled in Head Start programs are eligible to receive free meal benefits.[9] Therefore, the Beneficiary's Head Start enrollment is 100 percent eligible for NSLP, which supports the 100 percent NSLP eligibility in the

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[8] See USAC's website: https://www.usac.org/sl/applicants/beforeyoubegin/non-traditional/eligibility-table.aspx.

[9] *See* memo from United States Department of Agriculture to Regional Directors of Special Nutrition Programs and State Directors of Child Nutrition Programs; Memo Code SP 40-2013, CACFP 11-2013, SFSP 13-2013 (May 17, 2013). "Children enrolled in Federal and State-funded Head Start or Early Head Start Programs are categorically eligible to receive free meal benefits without further application or eligibility determination."

Beneficiary's FCC Form 471 and supports the Beneficiary's discount rates of 90 percent for Category 1 services (excluding voice services), 85 percent for Category 2 services, and 50 percent for voice services.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure its FCC Form 471 was complete and accurate. The Beneficiary utilized a consultant to complete its FCC Form 471 without designating an employee to perform a subsequent review to ensure the information on the form was accurate.

EFFECT

There is no monetary effect for this finding as Head Start programs are 100 percent eligible for NSLP and, therefore, the discount rate would not have changed for FRNs 1699069225, 1699069247, 1699069277, and 1699090828.

RECOMMENDATION

The Beneficiary must implement controls and procedures to ensure that a sufficient review of the underlying documentation is performed to substantiate the information reported on the Beneficiary's FCC Form 471, prior to submitting the forms to SLP.

BENEFICIARY RESPONSE

> During the fiscal year in question, there was a designated employee to review any/all documentation to/from our consultant. All correspondence to/from our consultant reflected the correct locations and enrollment figures. We have added an additional review to our process to offset future system errors.

Finding #3: 47 C.F.R. § 54.520(c)(1)(i),(ii)(2015) – Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements

CONDITION

AAD examined documentation to determine whether the Beneficiary complied with the Children's Internet Protection Act (CIPA) requirements for FRN 1699069247. AAD examined the Beneficiary's *Internet E-mail and Communications* policy, or its Internet Safety Policy (ISP), and determined that the ISP did not address the following requirements:

- Educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response
- Unauthorized disclosure, use, and dissemination of personal information regarding minors
- Measures designed to restrict minors' access to materials harmful to minors

Because the Beneficiary did not address three of the requirements in its ISP, AAD determined that the Beneficiary was not technically compliant with all of the CIPA requirements. However, because the

Beneficiary had an ISP and a filter to monitor Internet content, the Beneficiary was in substantial compliance with the spirit of the CIPA requirements.[10]

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing CIPA compliance and the Internet safety policy requirements. Although the Beneficiary utilizes a consultant, the Beneficiary does not have a designated employee to maintain a thorough knowledge of the Rules to ensure complete compliance throughout the SLP process.

EFFECT

There is no monetary effect associated with this finding. While the Beneficiary may not have been in technical compliance with all of the CIPA requirements for FRN 1699069247, the Beneficiary substantially complied with the spirit of the CIPA requirements.

RECOMMENDATION

The Beneficiary must implement controls and procedures to ensure it complies with the CIPA requirements and that it retains adequate records related to the application for, receipt, and delivery of discounted telecommunications and other supported services as required by the Rules. In addition, the Beneficiary must revise its current ISP to ensure that all Internet safety policy requirements are addressed in the ISP. Further, AAD recommends the Beneficiary visit USAC's website at https://www.usac.org/sl/applicants/step05/cipa.aspx to become familiar with the CIPA requirements.

BENEFICIARY RESPONSE

> Gateway's Head Start program services 3-5 year olds with limited, supervised access to select websites surrounding age-appropriate educational content. Educating minors about the appropriate use of the Internet is scattered into our education plan for our preschoolers, but is not a main element of structured technology time. To extent possible, our preschoolers are taught the proper use of Internet access. Although our ISP does not specifically state the education of minors, our classroom staff are trained to educate, when necessary, and intervene as needed. Our ISP will be annually reviewed moving forward, for CIPA requirement inclusion.

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[10] *See* Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau to Scott Barash, Acting Chief Executive Officer, USAC, WC Docket No. 02-6, 24 FCC Rcd. 417 (Jan. 16, 2009) (The FCC explains that, in certain instances, although the applicant may not have been in technical compliance, substantial compliance with the spirit of the CIPA requirements may be sufficient. For example, a school district's Internet safety policy did not address measures designed to restrict minors' access to harmful materials, but the school district had an Internet filter in place that actually restricted minors' access to harmful materials.).

CRITERIA

Finding	Criteria	Description
#1	Schools and Libraries (E-rate) Program FCC Form 472 (BEAR) User Guide at 18.	The Billed Entity must sign the certification and declare under penalty of perjury that: A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486 … The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by USAC pursuant to a Funding Commitment Decision Letter (FCDL).
#1	47 C.F.R. § 54.501(a)(1) (2015).	C. Only schools meeting the statutory definition of "elementary school" or "secondary school" as defined in § 54.500 of this subpart, and not excluded under paragraphs (a)(2) or (3) of this section shall be eligible for discounts on telecommunications and other supported services under this subpart.
#2	47 C.F.R. § 54.505(b)(1),(4) (2015).	(1) For schools and school districts, the level of poverty shall be based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. School districts shall divide the total number of students eligible for the National School Lunch Program within the school district by the total number of students within the school district to arrive at a percentage of students eligible. This percentage rate shall then be applied to the discount matrix to set a discount rate for the supported services purchased by all schools within the school district. Independent charter schools, private schools, and other eligible educational facilities should calculate a single discount percentage rate based on the total number of students under the control of the central administrative agency … (4) School districts, library systems, or other billed entities shall calculate discounts on supported services described in § 54.502(a) that are shared by two or more of their schools, libraries, or consortia members by calculating an average discount based on the applicable district-wide discounts of all member schools and libraries.
#3	47 C.F.R. § 54.520(c)(1)(i),(ii) (2015).	This Internet safety policy must also include monitoring the online activities of minors. Beginning July 1, 2012, schools' Internet safety policies must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response. (ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues:

		(A) Access by minors to inappropriate matter on the Internet and World Wide Web, (B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications, (C) Unauthorized access, including so-called "hacking," and other unlawful activities by minors online; (D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and (E) Measures designed to restrict minors' access to materials harmful to minors.

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: December 7, 2019

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment**	Entity Disagreement
Fremont Unified School District **Attachment H**	1	• Lack of Documentation - Beneficiary Did Not Substantiate the Competitive Bidding Process. The Beneficiary did not provide documentation to demonstrate that it conducted a competitive bidding evaluation and selected the most cost-effective solution, with price being the primary factor.	$46,537	$715,597	$0	$715,597	Y
Central Unified School District **Attachment I**	2	• Lack of Documentation - Beneficiary Did Not Substantiate the Competitive Bidding Process. The Beneficiary did not provide documentation to demonstrate that it conducted a competitive bidding evaluation and selected the most cost-effective solution, with price being the primary factor. • Service Provider Over-Invoiced SLP for Unapproved, Ineligible Services. The Service Provider invoiced SLP for services that	$598,344	$397,410	$382,151	$275,080	Y

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment**	Entity Disagreement
		were not requested on the Beneficiary's FCC Form 471.					
Aspira School District **Attachment J**	3	• Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process. The Beneficiary was unable to provide bids or evidence of bid evaluation that demonstrated price was the primary factor.	$153,560	$153,054	$153,054	$0	Y
Crescent Valley II Charter **Attachment K**	1	• No significant findings.	$13,165	$831	$831	$0	Y
Westchester School for Special Children **Attachment L**	2	• Failure to Comply with Competitive Bidding Requirements. The Beneficiary did not consider price as the primary factor as the Beneficiary did not have an evaluation criteria based solely on the price of the eligible goods and services.	$93,404	$23,815	$23,815	$23,815	Y
Total	**9**		**$905,010**	**$1,290,707**	**$536,036**	**$1,014,492**	

* The Monetary Effect amount represents the actual dollar effect of the finding(s) without taking into account any overlapping exceptions that exist in multiple findings. Thus, the total Monetary Effect may exceed the Amount of Support that was disbursed to the Beneficiary.

** The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

Attachment H

SL2017LR048

Available for Public Use

Universal Service Administrative Co.

Fremont Unified School District

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2017LR048

TABLE OF CONTENTS

Universal Service Administrative Co.

EXECUTIVE SUMMARY

June 19, 2019

Dr. Kim Wallace, Superintendent
Fremont Unified School District
4210 Technology Drive
Fremont, CA 94538

Dear Dr. Wallace:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Fremont Unified School District (Beneficiary), Billed Entity Number (BEN) 144189, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Audit Result 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 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 Federal Communications Commission (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,

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.516(a)(1) (2015) - Lack of Documentation - Beneficiary Did Not Substantiate the Competitive Bidding Process. The Beneficiary did not provide documentation to demonstrate that it conducted a competitive bidding evaluation and selected the most cost-effective solution, with price being the primary factor.	$715,597	$0	$715,597
Total Net Monetary Effect	**$715,597**	**$0**	**$715,597**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the commitment adjustment amounts. If there are other FRNs that fall under the scope of the findings there will be additional recoveries or commitment adjustments. USAC will request that the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional rule requirement resources on competitive bidding and document retention. Links to these resources are listed below:

- https://www.usac.org/_res/video/sl/10-comp-bidding/index.html
- https://www.usac.org/sl/applicants/step01/default.aspx
- https://www.usac.org/sl/tools/document-retention.aspx
- http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-190A1.pdf

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Commitment Adjustment Amount
1699107387	$126,419
1699107400	$62,364
1699107413	$61,329
1699107418	$94,576
1699107442	$136,162
1699107467	$124,747
1699107502	$110,000
Total	**$715,597**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

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

SCOPE
The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$1,654,584	$0
Internet Access	$232,093	$46,537
Total	**$1,886,677**	**$46,537**

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

The committed total represents four FCC Form 471 applications with 69 Funding Request Numbers (FRNs). AAD selected nine of the 69 FRNs[1], which represent $933,084 of the funds committed and $32,000 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

BACKGROUND
The Beneficiary is a public school district located in Fremont, California that serves over 36,000 students.

PROCEDURES
AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were/will be used in accordance with the Rules. AAD used inquiry 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 funding was requested. AAD also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

[1] The FRNs included in the scope of this audit were: 1699106703, 1699106833, 1699107387, 1699107400, 1699107413, 1699107418, 1699107442, 1699107467 and 1699107502.

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether all bids received were properly evaluated and 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 or executing month-to-month agreements with the selected service providers. AAD evaluated the equipment and services requested and purchased for cost effectiveness as well.

C. Invoicing Process

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

D. Beneficiary Location

AAD used inquiry to determine whether the equipment and services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary 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 SPI forms for services provided to the Beneficiary. AAD 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 eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDING

FINDING #1: 47 C.F.R. §54.516(a)(1) (2015) – Lack of Documentation - Beneficiary Did Not Substantiate the Competitive Bidding Process

CONDITION

AAD obtained and examined documentation to determine whether the Beneficiary conducted a fair and open competitive bidding process for FRNs 1699107387, 1699107400, 1699107413, 1699107418, 1699107442, 1699107467, and 1699107502. The Beneficiary participated in the School Project for Utility Rate Reduction (SPURR) program. SPURR is a California Joint Powers Authority that conducts competitive bidding and contract negotiations on behalf of California public K-12 school districts, county offices of education and community college districts. Upon review of SPURR's FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form,* SPURR's Request for Proposal (RFP), the service providers' bid proposals, and SPURR's bid evaluation matrices, AAD determined that SPURR executed a state master contract with three vendors, AMS.NET, Gigakom, and Carousel, for internal connections equipment. The Beneficiary entered into an agreement with AMS.NET, Inc. to purchase internal connections equipment from the SPURR state master contract. However, the Beneficiary did not provide documentation to demonstrate that it conducted a competitive bidding evaluation of all three vendors to determine that AMS.NET, Inc. was the most cost-effective solution, with price being the primary factor.

SPURR awarded state master contracts to AMS.NET, Inc. to provide Cisco brand products/services and wiring and cabling services; Gigakom to provide HP brand product/services; and Carousel to provide multiple product brands. In its FCC Form 471 no. 161047519, the Beneficiary requested funding for internal connections equipment, including switches, access points, Uninterrupted Power Supply (UPS)/ Battery Backup, and installation, activation, and configuration of the equipment. AAD determined that because SPURR entered into a state master contract with three service providers to provide network infrastructure, any one of the three service providers were capable of providing requested services to the Beneficiary. The Beneficiary was thus required to conduct a bid evaluation for all service providers able to provide services to the applicant under the state master contracts (a mini-bid process).[2]

In response to AAD's inquiry as to how the Beneficiary selected AMS.NET, Inc. to provide the internal connections equipment for FRNs 1699107387, 1699107400, 1699107413, 1699107418, 1699107442, 1699107467, and 1699107502, the Beneficiary stated that it did not complete a bid evaluation matrix; instead, it looked at the functions and features of Cisco and other vendors but Cisco met the Beneficiary's needs. In addition, the Beneficiary stated that SPURR only awarded one contract for Cisco equipment, which was AMS.NET, Inc.[3] The Beneficiary's analysis demonstrates Cisco being the best full-scale integrated system and the only brand that offers an end to end solution that can fully integrate all parts of the District's technological environment, including network switching, the local clock system, bells system, public address system, IP

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[2] *See* State Master Contracts, USAC, https://www.usac.org/sl/applicants/step02/state-master-contracts.aspx.

[3] In response to an inquiry made on January 22, 2018, Fremont Unified School District updated the Audit Inquiries Record (AIR) with their response on January 29, 2018.

telephones, and servers.[4] The Beneficiary stated that Cisco includes features, such as Cisco Catalyst Multigigabit Technology and NetFlow, which are critical for the devices currently on the network and the devices they plan to purchase in the future and based on the Beneficiary's research, the Cisco brand has many partners for integration, and it is highly rated.[5]

However, the Beneficiary did not provide documentation demonstrating that only AMS.NET, Inc. could service its locations. While it is appropriate for the Beneficiary to consider non-price factors in its decision to select a service provider, the Beneficiary must consider price as the primary factor.[6] AAD determined that the Beneficiary did not consider price as its primary factor as the documentation provided by the Beneficiary did not include price as the most highly weighted criterion in the Beneficiary's decision to purchase internal connections equipment and services from AMS.NET, Inc. Further, AAD reviewed the vendors' price lists for the equipment and services requested and was unable to determine whether the Beneficiary chose the most cost-effective solution because of the varying products and model numbers listed. AAD requested that the Beneficiary provide a comparison of the costs of the applicable equipment and services listed in the vendors' price lists; however, the Beneficiary did not provide the requested documentation or any other documentation to demonstrate the price differential between the three vendors or that it used price as a primary factor in its selection of AMS.NET. For these reasons, AAD is unable to conclude that the Beneficiary selected the most cost-effective solution, with price being the primary factor.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the requirement to include preferred state master contracts in its bid evaluations. The Beneficiary stated that it did not have to conduct a cost effectiveness analysis because SPURR already conducted a bid evaluation.[7]

EFFECT

The monetary effect of this Finding is $715,597. This amount represents the total amount of funding committed by SLP for FRNs 1699107387, 1699107400, 1699107413, 1699107418, 1699107442, 1699107467, and 1699107502.

RECOMMENDATION

AAD recommends USAC management issue a downward commitment adjustment by $715,597 to reduce the committed funds to $0 for each FRN referenced in the Effect section above. The Beneficiary must implement controls and procedures to ensure the competitive bidding process is performed in accordance with the Rules and that sufficient, appropriate documentation is maintained to evidence such compliance. AAD also recommends the Beneficiary examine the Rules to familiarize itself with the Rules governing the competitive bidding process and selecting the most cost-effective service offering.

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[4] In response to an inquiry made on April 12, 2018, Fremont Unified School District updated the Audit Inquiries Record (AIR) with their response on April 25, 2018.
[5] Email from Joseph Siam, Chief Technology Officer for Fremont Unified School District, to Fred Brakerman and Brittany Mosqueda, Consultants for Fremont Unified School District (February 22, 2018).
[6] 47 C.F.R. § 54.511(a) (2016).
[7] Phone call between AAD and Brittany Mosqueda, Consultant for Fremont Unified School District (January 10, 2018).

BENEFICIARY RESPONSE

In response to the current findings we would like to provide the additional information:

Fremont USD (District) had performed an extensive evaluation with regards to the Districts needs and technology expansion to determine what manufacturer or manufacturers that could meet the District's needs. This was completed around May 2015. Due to each manufacturer's systems being comprised of both hardware and software components, once a manufacturer is chosen, to keep software consistent and compatible, it's impossible to then add other manufacturers into the system. This is not only due to the size of the overall technology integration project but also system compatibility. Documentation on this matter has previously been submitted.

Prior to implementation of this E-Rate project, Fremont USD put out to bid and installed Cisco equipment in four (4) schools outside of E-Rate to complete the testing and evaluation of the Cisco solution. Since we had already put a non-E-Rate project out to bid using the same Cisco equipment, once the district decided to then do an E-Rate project, we compared our SPURR pricing to what we had bid before to verify that pricing was competitive. With this done it was then decided to complete the Cisco implementation Districtwide and to utilize available E-Rate funding. One way to do this was to utilize the SPURR contract for the procurement under the E-Rate guidelines.

SPURR has independently filed a Form 470, RFP, and completed a competitive bidding process based off of the attached documentation. According to SPURR, they provide competitively sourced pricing and evaluated the vendor responses utilizing USAC-SLD's recommended criteria, where price is the most heavily weighted factor. (See SPURR's documentation "SPURR Telecom and Internal Conn FAZv2014Oct28" and "ERateContractSheet_vF") SPURR also has provided us with the attached bid evaluation. (See "C2 SPURR – Bid Eval – NetwrkInfra RFP scoresheet 2011Dec22")[8] This bid evaluation shows 5 different vendors (2 rejected) being evaluated using price as the highest weighted factor. Four separate awards were made, however, AMS was ranked the highest with an overall ranking of 93%. The different products' features and capabilities were reviewed by the district and due to the compatibility with the district's current infrastructure and the additional features, AMS.NET was chosen by the district for Cisco products. AMS.NET was chosen for CISCO products due the price being the highest rated factor (see bid evaluation) [9] and the capabilities and features fitting the district's needs.

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[8] See SPURR's "E-Rate Bid Assessment Worksheet" document attached to email to AAD from Brittany Mosqueda, Consultant for Fremont Unified School District (June 21, 2019).

[9] See SPURR's "E-Rate Bid Assessment Worksheet" document attached to email to AAD from Brittany Mosqueda, Consultant for Fremont Unified School District (June 21, 2019).

> The District requested pricing from AMS.Net as the only provide [*sic*] of Cisco equipment on the SPURR contract as had been determined by the explanation above. The District completed the purchase of the Cisco Equipment off the SPURR contract that had been competitively gained and evaluated with cost being the highest weighted factor. In doing this the District was acting in complete confidence that the SPURR contract was a valid and efficient way of procuring the required Cisco equipment that the District has standardized on and was abiding by all E-Rate rules and guidelines. Please also see the attached SPURR Information pulled from their website over the past few years indicating they had followed the ERate guidelines and used price as the highest weighted factor for their awards.[10]
>
> For these reasons we disagree with your findings based on violation of the competitive bidding process.

AAD RESPONSE

In its response, the Beneficiary argues that "Fremont USD… had performed an extensive evaluation with regards to the Districts needs and technology expansion to determine what manufacturer or manufacturers that could meet the District's needs… Documentation of this matter has previously been submitted" and "the different products' features and capabilities were reviewed by the district and due to the compatibility with the district's current infrastructure and the additional features, AMS.NET was chosen by the district for Cisco products." AAD concurs that the Beneficiary provided AAD with an analysis of the functions and features of the Cisco brand and its integration with the school's network. The Beneficiary's analysis demonstrated Cisco being the best full-scale integrated system, however, the Beneficiary's analysis did not include price as the most heavily weighted criterion as required by the Rules. As stated in the Condition section, the Beneficiary may consider other non-price factors in its decision to select a service provider but price must be the primary factor.

Also, in its response, the Beneficiary states that "[a]ccording to SPURR, [the vendors] provided competitively sourced pricing and evaluated the vendor responses utilizing USAC-SLD's recommended criteria, where price is the most heavily weighted factor." The Beneficiary also states that "AMS.NET was chosen for CISCO products due [to] price being the highest rated factor… and the capabilities and features fitting the district's needs" and "[t]he District requested pricing from AMS.NET, Inc. as the only provide[r] of Cisco equipment on the SPURR contract as had been determined by the explanation above." AAD concurs that SPURR conducted a competitive bidding process, with price being the primary factor, and entered into a state master contract with AMS.NET, Inc. to provide Cisco brand product/services for network infrastructure. However, SPURR also entered into state master contracts with Gigakom and Carousel to provide other brand products/services, equivalent to the Cisco brand, for network infrastructure. The Beneficiary did not request or evaluate pricing from Gigakom or Carousel. The Beneficiary's selection of AMS.NET, Inc. over Gigakom and Carousel was based solely on the brand of products/services offered and price was not the primary factor, as required by the Rules. As noted in the Cause section, the Beneficiary stated that it did not conduct a cost effectiveness analysis because SPURR already conducted a bid evaluation.

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[10] See SPURR's "Your E-Rate eligible telecommunications contracts resource" document attached to email to AAD from Brittany Mosqueda, Consultant for Fremont Unified School District Beneficiary's Consultant (June 19, 2019).

In addition, the Beneficiary argues that it was in compliance with the Rules when it selected AMS.NET, Inc. because SPURR conducted the competitive bidding process with price being the primary factor. AAD concurs that the Beneficiary may purchase from state master contracts that have been competitively bid in compliance with the Rules. However, the mere fact that SPURR competitively bid the state master contracts does not preclude the Beneficiary from also following the FCC Rules and requirements. The Beneficiary utilizing the state master contract, alone, does not demonstrate it was in compliance with the Rules. AAD reiterates that because SPURR entered into a state master contract with three service providers to provide network infrastructure, the Beneficiary was required to conduct a bid evaluation for all service providers able to provide services to the applicant under the state master contracts. As stated in the Cause section, the Beneficiary did not perform a bid evaluation. Because the Beneficiary did not conduct a mini-bid evaluation process, AAD cannot determine whether the most cost-effective solution was selected, with price being the primary factor.

For these reasons, AAD's position on this Finding remains unchanged.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.516 (a)(1) (2015).	*Schools, libraries, and consortia.* Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.
#1	47 C.F.R. § 54.511(a) (2015).	Except as exempted in § 54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.
#1	*Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd. 8870, 8941, para. 176 (2014).	Bid Evaluation Requirement: Requiring applicants to include preferred master contracts in bid evaluations helps ensure that applicants make cost-effective purchases while enabling them to select the services that best suit their needs.

Attachment I

SL2017LR049

Available for Public Use

Universal Service
Administrative Co.

Central Unified School District

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2017LR049

TABLE OF CONTENTS

Universal Service
Administrative Co.

EXECUTIVE SUMMARY

June 19, 2019

Andrew G. Alvarado, Superintendent
Central Unified School District
4605 N. Polk Ave
Fresno, CA, 93722

Dear Mr. Alvarado:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Central Unified School District (Beneficiary), Billed Entity Number (BEN) 144078, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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 as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the 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) 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 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 Federal Communications Commission (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,

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.516(a)(1) (2015) - Lack of Documentation - Beneficiary Did Not Substantiate the Competitive Bidding Process. The Beneficiary did not provide documentation to demonstrate that it conducted a competitive bidding evaluation and selected the most cost-effective solution, with price being the primary factor.	$275,080	$259,821	$275,080
Finding #2: Instructions for Completing the Universal Service for Schools and Libraries Service Provider Invoice (SPI) Form, Jul. 2013 (OMB 3060-0856), at 4 - Service Provider Over-Invoiced SLP for Unapproved, Ineligible Services. The service provider invoiced SLP for services that were not requested on the Beneficiary's FCC Form 471.	$122,330	122,330	$0
Total Net Monetary Effect	**$397,410**	**$382,151**	**$275,080**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amounts. If there are other FRNs that fall under the scope of the findings there will be additional recoveries or commitment adjustments. USAC will request that the Beneficiary and Service Provider provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional rule requirement resources on competitive bidding, document retention, invoicing for applicants, and invoicing for service providers. Links to these resources are listed below:

- https://www.usac.org/_res/video/sl/10-comp-bidding/index.html
- https://www.usac.org/sl/applicants/step01/default.aspx
- https://www.usac.org/sl/tools/document-retention.aspx
- http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-190A1.pdf
- https://www.usac.org/sl/about/outreach/2018-training.aspx
- https://www.usac.org/sl/applicants/step06/default.aspx
- https://www.usac.org/sl/about/outreach/bear-training-site.aspx
- https://register.gotowebinar.com/register/8853081102717051650
- https://register.gotowebinar.com/register/5739235589531224834?source=Webinars+page
- https://www.usac.org/sl/about/outreach/2018-training.aspx
- https://www.usac.org/sl/service-providers/step05/default.aspx
- http://www.usac.org/sl/tools/news-briefs/Default.aspx

Further, USAC recommends the Beneficiary and Service Provider subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount	Commitment Adjustment Amount
1699108218	$116,140	$125,775
1699108220	$72,480	$76,357
1699108260	$71,201	$72,948
1699097928	$122,330	$0
Total	**$382,151**	**$275,080**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

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

SCOPE
The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$979,322	$0
Basic Maintenance of Internal Connections	$15,161	$0
Internet Access	$498,381	$429,360
Voice	$179,502	$168,984
Total	**$1,672,366**	**$598,344**

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

The committed total represents four FCC Form 471 applications with 36 Funding Request Numbers (FRNs). AAD selected eight of the 36 FRNs[1], which represent $930,769 of the funds committed and $568,424 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

BACKGROUND
The Beneficiary is a public school district located in Fresno, California that serves over 16,000 students.

PROCEDURES
AAD performed the following procedures:

A. Application Process
AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were/will be used in accordance with the Rules. AAD used inquiry 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 funding was requested. AAD also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

[1] The FRNs included in the scope of this audit were: 1699097723, 1699097812, 1699097928, 1699098388, 1699098433, 1699108218, 1699108220 and 1699108260.

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether all bids received were properly evaluated and 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 or executing month-to-month agreements with the selected service providers. AAD evaluated the equipment and services requested and purchased for cost effectiveness as well.

C. Invoicing Process

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

D. Beneficiary Location

AAD used inquiry to determine whether the equipment and services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary 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 SPI forms for services provided to the Beneficiary. AAD 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 eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. §54.516(a)(1) (2015) – Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process

CONDITION

AAD obtained and examined documentation to determine whether the Beneficiary conducted a fair and open competitive bidding process for FRNs 1699108218, 1699108220 and 1699108260. The Beneficiary participated in the School Project for Utility Rate Reduction (SPURR) program. SPURR is a California Joint Powers Authority that conducts competitive bidding and contract negotiations on behalf of California public K-12 school districts, county offices of education and community college districts. Upon review of SPURR's FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form,* SPURR's Request for Proposal (RFP), the Service Providers' bid proposals and SPURR's bid evaluation matrices, AAD determined that SPURR executed a state master contract with three vendors, AMS.NET, Inc., Gigakom, and Carousel, for internal connections equipment. The Beneficiary entered into an agreement with AMS.NET, Inc. to purchase internal connections equipment from the SPURR state master contract. However, the Beneficiary did not provide documentation to demonstrate that it conducted a competitive bidding evaluation of all three vendors to determine that AMS.NET, Inc. was the most cost-effective solution, with price being the primary factor.

SPURR awarded state master contracts to AMS.NET, Inc. to provide Cisco brand products/services and wiring and cabling services; Gigakom to provide HP brand product/services; and Carousel to provide multiple product brands. In its FCC Form 471 no. 161047558, the Beneficiary requested funding for internal connections equipment, including switches and cabling. AAD determined that because SPURR entered into a state master contract with three service providers to provide network infrastructure, any one of the three service providers were capable of providing internal connections equipment to the Beneficiary. The Beneficiary was thus required to conduct a bid evaluation for all service providers able to provide services to the applicant under the state master contracts (a mini-bid process).[2]

In response to AAD's inquiry as to how the Beneficiary selected AMS.NET, Inc. to provide internal connections equipment for FRNs 1699108218, 1699108220 and 1699108260, the Beneficiary stated that its existing equipment is Cisco and that it needed equipment that was compatible with what it currently has. The Beneficiary did not provide documentation to support that Cisco brand equipment was the only compatible brand and the most cost-effective solution. In addition, the Beneficiary stated that it consulted SPURR and was informed that a bid evaluation on the SPURR state master contracts was not needed because the agreement with AMS.NET, Inc. was a sole source contract for Cisco products.[3] While the Beneficiary may consider other factors during the service provider selection process, price should be the primary factor.[4] Furthermore, the SPURR state master contracts with Gigakom and Carousel were not considered by the Beneficiary. As a result, AAD is unable to determine that the most cost-effective solution was selected, with price being the primary factor.

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[2] *See* State Master Contracts, USAC, https://www.usac.org/sl/applicants/step02/state-master-contracts.aspx.
[3] In response to an inquiry made on December 21, 2017, Central Unified updated the Audit Inquiries Record (AIR) with their response on February 14, 2018.
[4] 47 C.F.R. § 54.511(a) (2015).

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the requirement to include preferred state master contracts in its bid evaluations. The Beneficiary did not conduct a cost-effectiveness analysis of the SPURR state master contracts and only considered Cisco internal connections equipment to address its needs.

EFFECT

The monetary effect of this Finding is $275,080. This amount represents the full amount committed by SLP for FRNs 1699108218, 1699108220 and 1699108260. Although there were no disbursements from SLP for these FRNs as of the commencement of the audit, as of the date of this audit report, SLP has disbursed $259,821 for FRNs 1699108218, 1699108220 and 1699108260.

RECOMMENDATION

AAD recommends USAC management seek recovery of $259,821 and issue a downward commitment adjustment to reduce the committed funds to $0 for FRNs 1699108218, 1699108220 and 1699108260. The Beneficiary must implement controls and procedures to ensure the competitive bidding process is performed in accordance with the Rules and that sufficient, appropriate documentation is maintained to evidence such compliance. AAD also recommends the Beneficiary examine the Rules to familiarize itself with the Rules governing the competitive bidding process and selecting the most cost-effective service offering.

BENEFICIARY RESPONSE

In response to the current findings we would like to provide the additional information:

Central USD (District) has performed an extensive evaluation over the past several years with regards to the Districts needs and technology expansion, prior to deciding on Cisco as a standard. The District has had a mixed infrastructure of many different manufactures installed. Inefficiencies in the technology called for a change to a single source to solidify the Districts future needs and expansion to new technologies. Prior to submitting our E-Rate project, we installed a Cisco solution at 70% of our sites. With the decision of the District to install a single type of equipment during the upgrade of all schools, it was decided to move forward with the Cisco implementation for the District and to utilize available E-Rate funding. The chosen method was to utilize the SPURR contract for the procurement under the E-Rate guidelines.

SPURR has independently filed a Form 470, RFP, and completed a competitive bidding process based off of the attached documentation. According to SPURR, they provide competitively sourced pricing and evaluated the vendor responses utilizing USAC-SLD's recommended criteria, where price is the most heavily weighted factor. (See SPURR's documentation "SPURR Telecom and Internal Conn FAZv2014Oct28" and "E-RateContractSheet_vF") SPURR also has provided us with the attached bid evaluation.

(See "C2 SPURR – Bid Eval – NetwrkInfra RFP scoresheet 2011Dec22")[5] This bid evaluation shows 5 different vendors (2 rejected) being evaluated using price as the highest weighted factor. Four separate awards were made, however, AMS was ranked the highest with an overall ranking of 93%. The different products' features and capabilities were reviewed by the district and due to the compatibility with the district's current infrastructure and the additional features, AMS.NET was chosen by the district for Cisco products. AMS.NET was chosen for CISCO products due the price being the highest rated factor (see bid evaluation) [6] and the capabilities and features fitting the district's needs.

The District requested pricing from AMS.Net as the only provide of Cisco equipment on the SPURR contract as had been determined by the explanation above. The District completed the purchase of the Cisco Equipment off the SPURR contract that had been competitively gained and evaluated with cost being the highest weighted factor. In doing this the District was acting in complete confidence that the SPURR contract was a valid and efficient way of procuring the Cisco equipment that the District has standardized on, and was abiding by all E-Rate rules and guidelines. Please also see the attached SPURR Information pulled from their website over the past few years indicating they had followed the E-Rate guidelines and used price as the highest weighted factor for their awards.[7]

For these reasons we disagree with your findings based on violation of the competitive bidding process.

AAD RESPONSE TO BENEFICIARY RESPONSE

AAD concurs that SPURR conducted a competitive bidding process, with price being the primary factor, and entered into a state master contract with AMS.NET, Inc. to provide Cisco brand products/services and Gigakom and Carousel to provide other brand products/services for network infrastructure. The Beneficiary argues that AMS.NET, Inc. was selected, over the other two vendors, to provide the Cisco brand products/services because a majority of the sites were compatible with the Cisco brand. Specifically, the Beneficiary states "[p]rior to submitting our E-Rate project, we installed a Cisco solution at 70% of our sites. With the decision of the District to install a single type of equipment during the upgrade of all schools, it was decided to move forward with the Cisco implementation for the District and to utilize available E-Rate funding." In addition, the Beneficiary states "[t]he District requested pricing from AMS.NET, Inc. as the only provide[r] of Cisco equipment on the SPURR contract as had been determined by the explanation above." However, the Beneficiary did not consider whether the other two vendors could service their needs for network infrastructure that was equivalent to the Cisco brand nor did it request and evaluate pricing from Gigakom or Carousel. The Beneficiary's selection of AMS.NET, Inc. over Gigakom and Carousel was based

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[5]See SPURR's "E-Rate Bid Assessment Worksheet" document attached to email from Chris Martinez, Director of Technology Services, to AAD (June 19, 2019)[.]
[6]See SPURR's "E-Rate Bid Assessment Worksheet" document attached to email from Chris Martinez, Director of Technology Services, to AAD (June 19, 2019)[.]
[7] See SPURR's "Your E-Rate eligible telecommunications contracts resource" document attached to email from Chris Martinez, Director of Technology Services, to AAD (June 19, 2019)[.]

solely on the brand of products/services offered and price was not the primary factor, as required by the Rules. As noted in the Condition section, the Beneficiary may consider other non-price factors during the service provider selection process, however, price must be the primary factor.

In addition, the Beneficiary argues that it was in compliance with the Rules when it selected AMS.NET, Inc. because SPURR conducted the competitive bidding process with price being the primary factor. AAD concurs that the Beneficiary may purchase from state master contracts that have been competitively bid in compliance with the Rules. However, the mere fact that SPURR competitively bid the state master contracts does not preclude the Beneficiary from also following the FCC Rules and requirements. The Beneficiary utilizing the state master contract, alone, does not demonstrate it was in compliance with the Rules. AAD reiterates that because SPURR entered into a state master contract with three service providers to provide network infrastructure, the Beneficiary was required to conduct a bid evaluation for all service providers able to provide services to the applicant under the state master contracts. As noted in the Condition section, the Beneficiary stated that they did not conduct a bid evaluation of the available vendors. Because the Beneficiary did not conduct a mini-bid evaluation process, AAD cannot determine whether the most cost-effective solution was selected, with price being the primary factor.

For these reasons, AAD's position on this Finding remains unchanged.

Finding #2: Instructions for Completing the Universal Service for Schools and Libraries Service Provider Invoice (SPI) Form, Jul. 2013 (OMB 3060-0856), at 4 – Service Provider Over-Invoiced SLP for Unapproved, Ineligible Services

CONDITION

AAD obtained and examined the FCC Form 471, FCC Form 474 Service Provider Invoice (SPI) forms, and the corresponding service provider bills provided by the Beneficiary to determine whether the Schools and Libraries Program (SLP) was invoiced only for approved, eligible services for FRN 1699097928. The Service Provider over-invoiced SLP on its SPI Form for Internet access services received that were not requested on the Beneficiary's FCC Form 471. On the Beneficiary's FCC Form 471, the Beneficiary requested and was approved for three 10 GB Ethernet lines, one 5 GB Ethernet line and eleven 1 GB Ethernet lines. In addition to invoicing SLP for the requested services, the Service Provider, AT&T, also invoiced SLP for a GigaMAN circuit that was not requested on the FCC Form 471.

The Service Provider invoiced SLP on SPI Forms nos. 2511488, 2533024, 2537534, 2554323, 2572407, 2588779 and 2608191 for a total discounted amount of $276,207 for FRN 1699067928. The total discounted amount of the approved, eligible services that were supported by the service provider bills totaled $153,878 (total eligible services of $192,347 * the Beneficiary's 80 percent discount rate). The difference between the total discounted amount invoiced to SLP by the service provider and the total approved, eligible discounted amount supported by the service provider bills is $122,330. As such, the service provider over-invoiced SLP by $122,330 ($276,207 - $153,878).

CAUSE

The Service Provider did not demonstrate sufficient knowledge of the Rules governing the submission of invoices to SLP for only approved, eligible services. The Beneficiary did not have adequate controls in place that would detect billing errors contained in the monthly service provider bills and in the amounts the service provider invoiced to SLP.

EFFECT

The monetary effect of this finding is $122,330. This amount represents the total discounted costs of the services that were not requested by the Beneficiary but invoiced to and disbursed by SLP for FRN 1699097928.

RECOMMENDATION

AAD recommends USAC management seek recovery of $122,330 for FRN 1699097928. The Service Provider must implement controls and procedures to ensure that SLP is invoiced only for approved, eligible services and equipment that are requested on the FCC Form 471. In addition, the Beneficiary should submit a service substitution when there is a change in the products and/or services requested and approved on the FCC Form 471.

BENEFICARY RESPONSE

The circuit was included on the discount grid because AT&T was still billing the applicant and believed it was part of their ASE WAN service. AT&T should have disconnected that line once they migrated Central to the new service. Therefore, AT&T should owe USAC for the E-Rate funding and owe Central for the duplicate billing once ASE was installed.

SERVICE PROVIDER RESPONSE

AT&T relies upon the Beneficiary to provide and certify the billing account numbers associated with each FRN funded and approved via their Form 471 submission citing an AT&T SPIN via a grid process. AT&T applies discounts to the eligible services on those billing accounts as provided and certified by the Customer and submits for SPI reimbursement. In this instance the Beneficiary provided incorrect information for AT&T to use in AT&T's discounting process.

AT&T will debit the Beneficiary's billing accounts for the discounts provided in error and remit the amount of $122,330.16 to USAC.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.516(a)(1) (2015).	*Schools, libraries, and consortia.* Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.
#1	47 C.F.R. § 54.511(a) (2015).	Selecting a provider of eligible services. Except as exempted in §54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.
#1	*Modernizing the E-rate Program fir Schools and Libraries*, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd. 8870, 8941, para. 176 (2014).	Bid Evaluation Requirement: Requiring applicants to include preferred master contracts in bid evaluations helps ensure that applicants make cost-effective purchases while enabling them to select the services that best suit their needs.
#2	Instructions for Completing the Universal Service for Schools and Libraries Service Provider Invoice (SPI) Form, Jul. 2013 (OMB 3060-0856), at 4.	**Column (11) - Total (Undiscounted) Amount for Service per FRN.** This column represents the total undiscounted monthly and one-time charges for all eligible services on the individual invoice or bill issued to the customer. This column represents the total price for eligible service before any eligible discount is applied. The total undiscounted amount may include all reasonable associated charges, such as federal and state taxes, that are incurred by the customer in obtaining services

Attachment J

SL2018BE014

Available for Public Use

Aspira School District
Audit ID: SL2018BE014
(BEN: 16035377)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2017 as of November 30, 2018

Prepared for: Universal Service Administrative Company

As of Date: November 7, 2019

KPMG LLP
200 East Randolph
Suite 5500
Chicago, Illinois 60601-6436

TABLE OF CONTENTS

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EXECUTIVE SUMMARY

November 7, 2019

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

Dear Mrs. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Aspira School District, Billed Entity Number ("BEN") 16035377, ("Aspira" or "Beneficiary") for disbursements of $153,560 and commitments of $218,037, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of November 30, 2018 (hereinafter "Funding Year 2017"). Our work was performed during the period from December 10, 2018 to November 7, 2019, and our results are as of November 7, 2019.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The audit objective of our work was to evaluate the Beneficiary's compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program ("E-rate Program") set forth in 47 C.F.R. Part 54 of the Federal Communications Commission's ("FCC") Rules as well as other program requirements (collectively, the "Rules") that determined the Beneficiary's eligibility and resulted in commitments of $218,037 and disbursements of $153,560 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the Rules based on our audit.

As our report further describes, KPMG identified three findings as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on these results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2017 were $153,054 higher than they would have been had the amounts been reported properly.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated November 7, 2019.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
Aspira	Aspira School District
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
CIPA	Children's Internet Protection Act
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children's Internet Protection Act and Technology Plan Certification Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of November 30, 2018)
Item 21	Description of the products and services for which discounts are sought in the FCC Form 471
MIBS	Managed Internal Broadband Services
RFP	Request for Proposal
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2018BE014-F01: Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process – The Beneficiary was unable to provide bids or evidence of bid evaluation that demonstrated price was the primary factor.	$150,120	$ 150,120
SL2018BE014-F02: Beneficiary Over-Invoiced SLP for Ineligible Services – The Beneficiary included ineligible charges in their BEAR reimbursement claim related to voice services received.	$ 2,560	$ 2,560
SL2018BE014-F03: Beneficiary Over-Invoiced SLP by Not Deducting Rebates or Free Services from the BEAR Amount – The Beneficiary did not properly pass through Service Provider credits to USAC in its reimbursement request from the E-rate Program.	$ 374	$ 374
Total Net Monetary Effect	**$153,054**	**$153,054**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. If there are other FRNs that fall under the scope of the findings there will be additional recoveries or commitment adjustments. USAC will request that the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional rule requirement resources on competitive bidding, document retention, and invoicing. Links to these resources are listed below:

- https://www.usac.org/_res/video/sl/10-comp-bidding/index.html
- https://www.usac.org/sl/applicants/step01/default.aspx
- https://www.usac.org/sl/tools/document-retention.aspx
- http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-190A1.pdf
- https://www.usac.org/sl/about/outreach/2018-training.aspx
- https://www.usac.org/sl/applicants/step06/default.aspx
- https://www.usac.org/sl/about/outreach/bear-training-site.aspx
- https://register.gotowebinar.com/register/8853081102717051650
- https://register.gotowebinar.com/register/5739235589531224834?source=Webinars+page.

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

Funding Request Number	Finding # 1 Recovery Amount	Finding # 2 Recovery Amount	Finding # 3 Recovery Amount	Finding Total
1799089020	$150,120			$150,120
1799088763		$2,560		$2,560
1799088763			$374	$374
Total				**$153,054**

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. The purpose of USAC is to administer the USF through four support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries. These four support mechanisms ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $218,037 and disbursements of $153,560 made for Funding Year 2017.

Beneficiary Overview

The Aspira School District (BEN# 16035377) is a school district located in Chicago, Illinois that serves over 1,400 students from 6th to 12th grade. Aspira of Illinois was founded in 1968 and is comprised of four school locations: Haugan Middle School, Antonia Pantoja High School, Aspira Business and Finance High School and Aspira Early College High School.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	$150,120	$150,120
Voice Services	$13,408	$3,440
Internal Connections	$54,509	$0
Total	**$218,037**	**$153,560**

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of November 30, 2018.

The committed total represents two FCC Form 471 applications with seven FRNs. We selected six FRNs, which represent $154,168 of the funds committed and $153,560 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary. During the course of our audit, we noted that four of the FRNs selected for audit were cancelled or were set to be cancelled.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $218,037 and disbursements of $153,560 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

KPMG identified the following areas of focus for this performance audit:

1. Application Process
2. Competitive Bid Process
3. Calculation of the Discount Percentage
4. Invoicing Process
5. Beneficiary Locations
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. **Application Process**

   We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

   We obtained and examined documentation to determine whether the Beneficiary complied with the FCC's CIPA requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy, and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

2. **Competitive Bid Process**

   For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that 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 reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services requested and purchased for cost effectiveness as well.

3. **Calculation of the Discount Percentage**

   For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

4. **Invoicing Process**

   For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), 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.

5. **Beneficiary Locations**

   For the FRNs audited, we used inquiry to determine whether the services were provided to eligible facilities and utilized in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. We also evaluated the services purchased by the Beneficiary to determine whether funding was used in an effective manner.

6. **Reimbursement Process**

   For the FRNs audited, we 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, we reviewed invoices associated with the BEAR forms for services and equipment provided to the Beneficiary. We verified that the services claimed on the BEAR 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 Program Eligible Services List.

7. Record Keeping

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. Final Risk Assessment

Based on the performance of the above audit procedures for the sampled FRNs, we considered any non-compliance detected during the audit and its effect on the FRN excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRN. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified three findings. The findings, including the condition, cause, effect, recommendation and Beneficiary response are as follows:

Finding No.	**SL2018BE014-F01: Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process**
Condition	For FRN 1799089020, we obtained the Request for Proposal ("RFP") from 2013 related to Internet access services to be provided via a multi-year contract under Form 470 No. 506240001043345. However, the Beneficiary was unable to provide evidence of both the Service Provider bids and the Beneficiary's bid evaluation and could not demonstrate that price was the primary factor used in selecting the Service Provider.
Cause	The Beneficiary did not maintain documentation related to the bid evaluation that would demonstrate price was the primary factor used in selecting the Service Provider.
Effect	The monetary effect of this finding is $150,120, which represents the total disbursed funds for FRN 1799089020.
Recommendation	The Beneficiary should enhance document retention procedures in order to substantiate the competitive bidding process and demonstrate that price was the primary factor used in each evaluation.
Beneficiary Response	This was a multi year contract begun in another year and we were advised to be in compliance not filing RFP for 2017. We are confident we will find compliant documentation.
KPMG Response	There was no issue noted with the RFP. As of the report date, we have not received any evidence of Servicer Provider bids or Beneficiary bid evaluation demonstrating price was the primary factor.

Finding No.	**SL2018BE014-F02: Beneficiary Over-Invoiced SLP for Ineligible Services**
Condition	Ineligible charges related to telephone service were included in the Beneficiary's BEAR request No. 2835545 for FRN 1799088763. Undiscounted charges totaling $6,841 related to the ineligible portion for 30 lines of service should have been excluded from the BEAR, as the Service Provider contract indicated the services provided would be 30% eligible and 70% ineligible. This was not noted on Form 471 No. 171039546 nor in BEAR No. 2835545.

	Additionally, the Beneficiary requested 30 lines of service on Form 471 No. 171039546, however the Service Provider bills dated January 3, 2018 through July 4, 2018 included greater than 30 lines with the full cost invoiced to USAC. KPMG calculated the ineligible costs above 30 lines and noted an undiscounted amount of $1,693 for FRN 1799088763. The total undiscounted charges that should have been excluded from BEAR No. 2835545 is $8,534.
Cause	The Beneficiary did not have an effective review and reconciliation process over Service Provider bills to validate that only eligible costs were submitted for reimbursement from the E-rate Program.
Effect	The total monetary effect of this finding is $2,560 which represents a portion of disbursed funds for FRN 1799088763.
Recommendation	The Beneficiary should enhance BEAR review procedures to ensure that only eligible charges are included when requesting reimbursement from the E-rate Program.
Beneficiary Response	This was an administrative oversight.
Finding No.	**SL2018BE014-F03: Beneficiary Over-Invoiced SLP by Not Deducting Rebates or Free Services from the BEAR Amount**
Condition	The Beneficiary submitted BEAR No. 2835545 under FRN 1799088763 and did not deduct $1,245 in credits related to eligible services received from the Service Provider on the January 2018 bill.
Cause	The Beneficiary did not have an adequate review process in place to ensure all credits received from the Service Provider were appropriately passed through to USAC and included in the E-rate Program reimbursements requested.
Effect	The monetary effect of this finding is $374, which represents a portion of funds disbursed for FRN 1799088763.
Recommendation	The Beneficiary should enhance BEAR review procedures to ensure that any Service Provider credits are properly passed through to USAC when requesting reimbursement from the E-rate Program.
Beneficiary Response	This was an administrative oversight.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.516(a)(1) (2016)	"Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase."
#1	47 C.F.R. § 54.511(a) (2016)	"*Selecting a provider of eligible services.* Except as exempted in §54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered."
#2	47 C.F.R. § 54.502(a) (2016)	"*Supported services*. All supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (d) of this section. The services in this subpart will be supported in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms. The supported services fall within the following general categories: (1) *Category one*. Telecommunications services, telecommunications, and Internet access, as defined in §54.5 and described in the Eligible Services List are category one supported services. (2) *Category two*. Internal connections, basic maintenance and managed internal broadband services as defined in §54.500 and described in the Eligible Services List are category two supported services."

Finding	Criteria	Description
#3	47 C.F.R. § 54.523 (2016)	"An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the support service or product constitutes a rebate of the non-discount portion of the supported services."

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified three findings, Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process, Beneficiary Over-Invoiced SLP for Ineligible Services and Beneficiary Over-Invoiced SLP by Not Deducting Rebates or Free Services from the BEAR Amount. Detailed information relative to the findings is described in the Findings, Recommendations and Beneficiary Responses section above.

The combined estimated monetary effect of these findings is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery
Internet Access	$2,934	$2,934
Voice Services	$150,120	$150,120
Total Impact	**$153,054**	**$153,054**

KPMG recommends the Beneficiary enhance document retention procedures in order to substantiate the competitive bidding process including evaluations performed and criteria used. The Beneficiary should enhance BEAR review procedures to ensure only eligible charges are included and to ensure any Service Provider credits are properly passed through to USAC when requesting reimbursement from the E-rate Program.

Attachment K

SL2018BE022

Available for Public Use

Crescent Valley II Charter Audit ID: SL2018BE022 (BEN: 17014057)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2017 as of September 30, 2018

Prepared for: Universal Service Administrative Company

As of Date: December 4, 2019

KPMG LLP
8350 Broad Street
Suite 900
McLean, VA 22102

TABLE OF CONTENTS

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Suite 900
8350 Broad Street
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EXECUTIVE SUMMARY

December 4, 2019

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

Dear Mrs. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to Crescent Valley II Charter, Billed Entity Number ("BEN") 17014057, ("CVIIC" or "Beneficiary") for disbursements of $13,165 and commitments of $34,714, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of September 30, 2018 (hereinafter "Funding Year 2017"). Our work was performed during the period from October 24, 2018 to December 4, 2019, and our results are as of December 4, 2019.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants ("AICPA"). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The audit objective of our work was to evaluate the Beneficiary's compliance with the applicable requirements, regulations and orders governing the federal Universal Service Schools and Libraries Program ("E-rate Program") set forth in 47 C.F.R. Part 54 of the Federal Communications Commission's ("FCC") Rules as well as other program requirements (collectively, the "Rules") that determined the Beneficiary's eligibility and resulted in commitments of $34,714 and disbursements of $13,165 made from the E-rate Program related to Funding Year 2017. Compliance with the Rules is the responsibility of the Beneficiary's management. Our responsibility is to evaluate the Beneficiary's compliance with the Rules based on our audit.

As our report further describes, KPMG identified one finding as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on these results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2017 were $831 higher than they would have been had the amounts been reported properly.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated December 4, 2019.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
CALPADS	California Longitudinal Pupil Achievement Data System
C.F.R.	Code of Federal Regulations
CIPA	Children's Internet Protection Act
CVIIC	Crescent Valley II Charter
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children's Internet Protection Act and Technology Plan Certification Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of September 30, 2018)
Item 21	Description of the products and services for which discounts are sought in the FCC Form 471
Mbps	Megabytes per second
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2018BE022-F01: SLP Funded Equipment Not Installed by Required Deadline– The assets related to FRN 1799077580 were installed after September 30, 2018, and no Service Delivery Extension was filed.	$831	$831
Total Net Monetary Effect	**$831**	**$831**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. During the recovery review process, if there are other FRNs that fall under these findings there may be additional recoveries or adjustments.

USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified. Information about service delivery deadlines and the process for requesting an extension is available at USAC's website at (https://www.usac.org/sl/applicants/before-youre-done/delivery-extension.aspx). USAC also issued a News Brief on May 17, 2019 regarding service delivery deadlines and the FCC Form 500 filing process available at (https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=893).

USAC also offers an online applicant training portal containing 14 courses that were delivered during the 2018 fall applicant training available at (https://www.usac.org/sl/about/outreach/applicant-training-series.aspx). Please see the course entitled "Basic Concepts" for information related to service delivery extensions and the course entitled "E-rate Filing Process: Post-Commitment" for information related to filing the FCC Form 500.

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount
1799077580	$831

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

Background

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. The purpose of USAC is to administer the USF through four support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries. These four support mechanisms ensure that all people regardless of location or income level have affordable access to telecommunications and information services. USAC is the neutral administrator of the USF and may not make policy, interpret regulations or advocate regarding any matter of universal service policy.

The Schools and Libraries (E-rate) Program is one of four support mechanisms funded through a Universal Service fee charged to telecommunications companies that provide interstate and/or international telecommunications services. USAC administers the USF at the direction of the FCC; USAC's SLD administers the E-rate Program.

The E-rate Program provides discounts to assist eligible schools and libraries in the United States to obtain affordable telecommunications equipment and/or services and Internet access. Two categories of services are funded. Category One services include voice services, data transmission services and Internet access. Category Two services include internal connections, basic maintenance of internal connections (BMIC), and managed internal broadband services (MIBS). Eligible schools and libraries may receive 20% to 90% discounts for Category One eligible services and discounts of 20% to 85% for Category Two eligible services depending on the type of service, level of poverty and the urban/rural status of the population served. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

Beginning in Funding Year 2015, the discount rate for all voice services will be reduced by 20%, and shall be reduced further by an additional 20% every subsequent funding year until Funding Year 2019 when voice services will no longer be funded through the E-rate Program. The discount rate reduction for voice services in Funding Year 2017 is 60%. This reduction applies to all expenses incurred for providing telephone services and increasing circuit capacity for providing dedicated voice services.

The E-rate Program supports connectivity – the conduit or pipeline for communications using telecommunications services and/or the Internet. The school or library is responsible for providing additional resources such as the end-user equipment (computers, telephone handsets, and modems), software, professional development, and the other resources that are necessary to fully enable and utilize such connectivity.

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $34,714 and disbursements of $13,165 made for Funding Year 2017.

Beneficiary Overview

Crescent Valley II Charter (BEN# 17014057) is a school located in Visalia, California, that serves over 380 students in grades 6 through 12. It is part of the Learn 4 Life organization, which is a network of over 60 non-profit schools from Sacramento to San Diego that offers non-traditional locations and flexible schedules to help overcome obstacles that prevent students from attending school (https://learn4life.org).

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2017 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	$33,883	$12,334
Internal Connections	$ 831	$ 831
Total	**$34,714**	**$13,165**

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of September 30, 2018.

The committed total represents two FCC Form 471 applications with four FRNs. We selected two FRNs, which represent $34,714 of the funds committed and $13,165 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $34,714 and disbursements of $13,165 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select Service Providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2017.

KPMG identified the following areas of focus for this performance audit:

1. Application Process
2. Competitive Bid Process
3. Calculation of the Discount Percentage
4. Invoicing Process
5. Site Visits
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2017. The procedures conducted during this performance audit include the following:

1. **Application Process**

   We obtained an understanding of the Beneficiary's processes relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support its effective use of funding. We also used inquiry to determine if any individual schools or entities related to the Beneficiary are receiving USAC funded services through separate FCC Forms 471 and FRNs.

   We obtained and examined documentation to determine whether the Beneficiary complied with the FCC's CIPA requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy, and obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

2. **Competitive Bid Process**

   For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that 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 reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

3. **Calculation of the Discount Percentage**

   For the FRNs audited, we obtained and examined documentation to understand the methodology used by the Beneficiary to calculate the discount percentage. We also obtained and examined documentation supporting the discount percentage calculation and determined if the calculations were accurate.

4. **Invoicing Process**

   For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) 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.

5. **Site Visits**

   For the FRNs audited, 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 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.

6. **Reimbursement Process**

   For the FRNs audited, we 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, we reviewed invoices associated with the SPI and BEAR forms for services and equipment provided to the Beneficiary. We verified that the services and equipment claimed on the SPI and BEAR 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 Program Eligible Services List.

7. **Record Keeping**

We determined whether the Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. **Final Risk Assessment**

Based on the performance of the above audit procedures for the sampled FRNs, we considered any non-compliance detected during the audit and its effect on the FRNs excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRNs. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2017 commitments and disbursements made from the E-rate Program.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified one finding. The finding, including the condition, cause, effect, recommendation and Beneficiary response, is as follows:

Finding No. **SL2018BE022-F01: SLP Funded Equipment Not Installed by Required Deadline**

Condition For FRN 1799077580, two equipment items, were installed on January 22, 2019, which is after the September 30, 2018 deadline. KPMG noted that no Service Delivery Extension Request was filed with USAC. KPMG did observe that both equipment items were installed and in use as of the on-site physical inspection performed on April 24, 2019. See table below for equipment details (per invoice).

Asset Description	Qty {A}	Unit Cost (Post-Discount 50%) {B}	Total Cost (Post-Discount 50%) {C} = {A} * {B}	Installed by 9/30/18	Installed by Site Visit 4/24/19
Cisco Meraki MR42 Cloud Managed - wireless access point	2	$308	$616	No	Yes
*Cisco Meraki Enterprise Cloud Controller - subscription license (5 years)	2	$78	$156	No	Yes
*Sales Tax	1	$59	$59		

Note: Amounts noted above are rounded up to the nearest dollar.
**Subscriptions and Sales Tax associated with wireless access points noted above.*

Cause The Beneficiary did not have adequate procedures in place to ensure that all E-rate Program funded equipment was installed by the September 30, 2018 deadline or that an extension was filed with USAC to request additional time for installation.

Effect The monetary effect of this finding is $831 which represents disbursed funds for FRN 1799077580.

Recommendation KPMG recommends that the Beneficiary enhance procedures and controls to ensure all assets are installed as of the September 30th deadline subsequent to each funding year or that a Service Delivery Extension Request is submitted via an FCC Form 500 if additional time is needed for installation.

Beneficiary Response	Crescent Valley II Charter utilizes Category 2 E-Rate funding for the purchase of E-Rate-eligible networking equipment from a registered service provider. Our reading of E-Rate program rules is that service providers are responsible for delivery and installation of non-recurring services between July 1 of the funding year and September 30 following the June 30 close of that funding year. In our case, that service delivery occurred before June 30, 2018. The selected service provider was contracted only for purchase of the equipment and was not contracted to install the items. Recipients may request an extension of the service delivery deadline in some cases, including when "the service provider was unable to complete delivery and installation for reasons beyond the service provider's control." USAC does not have a program form or tool for a beneficiary to notify USAC when a service provider has completed service delivery (delivery of purchased equipment, in this case), but the recipient is responsible for installation and was unable to meet the deadline. It is not clear when reading program rules that a beneficiary must also file a Form 500 to indicate that they have received the equipment but cannot complete installation by the service delivery date. The Form 500 does not include language to indicate that it should be used for this purpose, nor does it contain instructions about how to use the form for this purpose. The options in the form do not cover this scenario or indicate that the issue should be documented in the narrative, as KPMG suggested. The school is a year-round charter school that does not follow a traditional school-year calendar, and may open, close, expand, or relocate its resource centers during the course of the school year. As such, construction projects, and therefore networking projects, cannot always be completed during the same school year in which the project commences, meaning that installation of equipment could be delayed beyond the service delivery date.
KPMG Response	The FCC Form 500 Instructions clearly state "Applicants have three additional months after the end of the funding year (until September 30) to install one-time services known as non-recurring services." There are no exceptions noted for self-installation. The Beneficiary indicated the instructions, which reference service provider delays in installation, were unclear, however the Beneficiary did not contact USAC for further guidance or clarification when they became aware they would not be able to install the equipment by the required deadline.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.507(d)(4) (2016)	"The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: (i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; (iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or (iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance."
#1	FCC Form 500 Instructions for Completing the Universal Service for Schools and Libraries Funding Commitment Adjustment Request Form, Item 8	"Service Delivery Extension Request: Complete this row if you wish to extend the deadline for service delivery and installation for non-recurring services. Applicants have three additional months after the end of the funding year (until September 30) to install one-time services known as non-recurring services. USAC may extend the September 30 deadline if the applicant falls within at least one of four designated circumstances: (1) applicants whose FCDLs are issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (2) applicants who receive service provider change or service substitution authorizations from the Administrator on or after March 1 of the funding year for which discounts are authorized; (3) applicants whose service providers are unable to complete implementation for reasons beyond the service provider's control; or (4) applicants whose service providers are unwilling to complete installation because funding disbursements are delayed while the Administrator investigates their application for program compliance. USAC automatically extends the service delivery deadline for non-recurring services if the reason for the extension are either (1) or (2). However, applicants must affirmatively request an extension of the September 30 deadline for either (3) or (4). Enter the FCC Form 471 application number and FRN, and certify by checking off the reason you are requesting the service delivery deadline extension. Note that the

Finding	Criteria	Description
		applicant must request an extension on or before the September 30 deadline. Granting an extension will not increase funding."
#1	Third Report and Order and Second Notice of Proposed Rulemaking.[1]	"Recipients of support are expected to use all equipment purchased with universal service discounts at the particular location, for the specified purpose for a reasonable period of time." The FCC "decline[d] to institute a useful life criteria for equipment purchased with universal servcie funds" and "address[ed] this issue by adopting a general prohibition on the transfer of equipment for a period of three years after purchase."[2]

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding, SLP Funded Equipment Not Installed by Required Deadline. Detailed information relative to the finding is described in the Findings, Recommendations and Beneficiary Responses section above.

The estimated monetary effect of this finding is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery
Internal Connections	$831	$831
Total Impact	**$831**	**$831**

KPMG recommends that the Beneficiary enhance procedures and controls to ensure all assets are installed as of the September 30th deadline subsequent to each funding year or that a Service Delivery Extension Request is submitted via an FCC Form 500 if additional time is needed for installation.

[1] *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, para. 26 (2003).
[2] *Id*. at 18 FCC Rcd 26925, para. 30, and n. 29.

Attachment L

SL2018LR001

Available for Public Use

Universal Service
Administrative Co.

Westchester School For Special Children

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2018LR001

TABLE OF CONTENTS

Universal Service
Administrative Co.

EXECUTIVE SUMMARY

July 21, 2019

Lenny Spano, Executive Director
Westchester School for Special Children
45 Park Avenue
Yonkers, NY 10703

Dear Mr. Spano:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Westchester School For Special Children (Beneficiary), Billed Entity Number (BEN) 11097, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the 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 (2011 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 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) 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 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 Federal Communications Commission (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,

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Catriona Ayer, USAC Vice President, Schools and Libraries Division

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.511(a) (2015) - Failure to Comply with Competitive Bidding Requirements. The Beneficiary did not consider price as the primary factor as the Beneficiary did not have an evaluation criteria based solely on the price of the eligible goods and services.	$23,815	$23,815	$23,815
Finding #2: 47 C.F.R. § 54.520(c)(1)(i),(ii) (2015) - Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements and Lack of Public Hearing or Meeting. The Beneficiary's Internet Safety Policy (ISP) did not include all of the required elements and the Beneficiary did not provide documentation to support that a public meeting was held to discuss the ISP.	$0	$0	$0
Total Net Monetary Effect	**$23,815**	**$23,815**	**$23,815**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. If there are other FRNs that fall under the scope of the findings there will be additional recoveries or commitment adjustments. USAC will request that the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional rule requirement resources on competitive bidding and the Children's Internet Protection Act. Links to these resources are listed below:

- https://www.usac.org/_res/video/sl/10-comp-bidding/index.html
- https://www.usac.org/sl/applicants/step01/default.aspx
- https://www.usac.org/sl/applicants/step05/cipa.aspx
- https://www.usac.org/sl/tools/news-briefs/preview.aspx?id=831
- https://www.usac.org/sl/about/outreach/2018-training.aspx

Further, USAC recommends the Beneficiary subscribe to USAC's weekly News Brief which provides program participants with valuable information about E-rate rule compliance. Enrollment can be made through USAC's website under "Trainings and Outreach" available at (http://www.usac.org/sl/tools/news-briefs/Default.aspx).

FRN	Recovery Amount	Commitment Adjustment Amount
1699029153	$9,280	$9,280
1699029157	$14,535	$14,535
Total	**$23,815**	**$23,815**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

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

SCOPE
The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Beneficiary for Funding Year 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Managed Internal Broadband Services	$14,535	$14,535
Internet Access	$65,589	$65,589
Voice	$13,280	$13,280
Total	**$93,404**	**$93,404**

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

The committed total represents two FCC Form 471 applications with four Funding Request Numbers (FRNs). AAD selected three of the four FRNs[1], which represent $89,404 of the funds committed and $89,403 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiary.

BACKGROUND
The Beneficiary is a charter school located in Yonkers, New York that serves over 220 students.

PROCEDURES
AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program (SLP). Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the Rules. AAD used inquiry and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. AAD also used inquiry 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 Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, AAD

[1] The FRNs included in the scope of this audit were: 169929153, 169929155, and 169929157.

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 Bid Process
AAD obtained and examined documentation to determine whether all bids received were properly evaluated and 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 or executing month-to-month agreements with the selected service providers. AAD evaluated the services requested and purchased for cost effectiveness as well.

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

D. Beneficiary Location
AAD used inquiry to determine whether the services were located in eligible facilities and utilized in accordance with the 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 SPI forms for services provided to the Beneficiary. AAD 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 eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.511(a) (2015) - Failure to Comply with Competitive Bidding Requirements - Price Was Not the Primary Factor

CONDITION

AAD obtained and examined documentation, including the bids responding to the Beneficiary's request for services and the Beneficiary's bid evaluation matrices, to determine whether the Beneficiary carefully considered all bids and selected the most cost-effective service offering using price of the eligible goods and services as the primary factor for FRNs 1699029153 and 1699029157. For FRN 1699029153, the Beneficiary received and evaluated bids submitted by AT&T, Sprint, and Verizon for Voice Services. For FRN 1699029157, the Beneficiary received and evaluated bids submitted by Knight Nets Inc. (Knight) and MetComm for the Managed Internal Broadband Service (MIBS). AAD determined through inquiries made of the Beneficiary and re-performance of the bid evaluations that the Beneficiary did not consider price as the primary factor as the Beneficiary did not have an evaluation criteria based solely on the price of eligible goods and services. Thus, AAD cannot conclude that the Beneficiary selected the most cost-effective service offering using price of the eligible goods and services as the primary factor for FRNs 1699029153 and 1699029157.

AAD examined the Beneficiary's bid evaluation matrices and determined that the Beneficiary's selection criteria included (1) price/charges, (2) fit between request and proposal, (3) prior experience, (4) financial stability, (5) multi-year contract, (6) voluntary extensions, and (7) composite vendor. The Beneficiary scored the bids as follows, with the highest score representing the best score:

	Total Cost Per Month Quoted in Bid	**Price / Charge**	**Fit Between Request and Proposal**	**Prior Experience**	**Financial Stability**	**Multi-Year Contract**	**Voluntary Extensions**	**Composite Vendor**	**Total**
Maximum Percentage Available		*30%*	*25%*	*25%*	*5%*	*5%*	*5%*	*5%*	*100%*
FRN 1699029153									
AT&T	$ 8,994	1.2	0.75	0.25	0.2	0	0.15	0.15	2.7
Sprint	$ 6,642	1.5	0.75	0.25	0.2	0	0.15	0.15	3
Verizon	$ 41,645	1.2	1.25	1.25	0.25	0	0.15	0.15	4.25
FRN 1699029157									
Knight Nets Inc.	$ 7,200	1.2	0.75	0.75	0.2	0.15	0.15	0.15	3.35
MetComm	$ 17,100	1.2	1.25	1.25	0.25	0.25	0.2	0.2	4.6

While the price appears to be the primary factor (i.e., the price/charge criterion is assigned 30%, while the other criteria were assigned 25% or 5%), the Beneficiary informed AAD that, among other things, it considered non-price factors when awarding scores in the price/charge criterion.[2]

For FRN 1699029153, the Beneficiary considered other factors, such as quality of services (number of minutes) in the price/charge criterion. Sprint submitted the lowest cost bid of $6,642 per month and received the highest score of 1.5 in the price/charge criterion. Verizon's bid of $41,645 per month and AT&T's bid of $8,994 scored the same 1.2 score in the price/charge criterion. For FRN 1699029157, the Beneficiary considered other factors, such as the completeness of proposals (equipment being serviced not listed in the bid) within the price/charge criterion. Knight Nets Inc. submitted the lowest cost bid of $7,200 per month but received the same score of 1.2 in the price/charge criterion as MetComm that submitted the highest cost bid of $17,100 per month.

Because Verizon and MetComm, the selected service providers, were both awarded superior scores in the non-price criteria, the Beneficiary believes that Verizon and MetComm were still the most cost-effective solution, even if the scores for the price/charge criterion were adjusted. However, the FCC clarified that "although [a beneficiary] argues that the contract awards would have been the same if the price of the ineligible items had been excluded from the [cost] criterion, that alone does not demonstrate compliance with the applicable rule…."[3]

While the Beneficiary may consider other factors during its bid evaluation, the price of eligible goods and services must represent the actual dollar amount proposed by a bidder.[4] For these reasons, AAD cannot conclude that the Beneficiary selected the most cost-effective service offering using price of eligible services as the primary factor.[5]

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules regarding the competitive bidding process and selecting the most cost-effective service offering using price as the primary factor. The Beneficiary did not review the Rules that provided clarification on the competitive bidding requirements and selecting the most cost-effective service offering.

EFFECT

The monetary effect of this Finding is $23,815 ($9,280 + $14,535). This amount represents the total amount disbursed by SLP for the Beneficiary's discounted portion of the services delivered for FRNs 1699029153 and 1699029157, respectively.

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[2] Telephone call from AAD to Richard Bernstein, Consultant FOR Westchester School for Special Children, and Richard Devlin, Director of Finance, at Westchester School for Special Children (May 29, 2018).
[3] *Spokane Order*, para. 4.
[4] *Ysleta Order*, para. 52.
[5] *Id*.

RECOMMENDATION

AAD recommends USAC management seek recovery of $23,815. The Beneficiary must implement controls and procedures to ensure it carefully consider all bids submitted and select the most cost-effective service offering using price of the eligible goods and services as the primary factor.

BENEFICIARY RESPONSE

> We submit that the tables cited above do not represent the actual criteria used to determine the award. Attached see a [*sic*] revised bid sheets that acurractly [*sic*] represents the factors considered during the bidding process.[6]
>
> For FRN **1699029153** At most it should be considered and M & C error. Adjusting the price criteria to represent the price offered by the vendor and including the criteria that was stated on the bidding sheet Verizon would clearly have been selected. The FCC in the SPOKANE ruling did not want applicants to change the evaluation scores in “hindsight”. This was clearly not the case as stated above. Suggesting that the [Beneficiary] should have selected SPRINT which does not provide adequate service or AT&T which would require a massive replacement of telephone units certainly violates the cost effectiveness rule of the FCC.
>
> For FRN **1699029157** – See the revised table plugging in the absolute price does not change the result.[7] Accepting a proposal from Knights Net that does not respond to the request could have been disqualified as not being responsive to the request.
>
> To cause severe hardship to the beneficiary based upon a technicality is not within the spirit of the 1996 Telecommunications Act and will discourage other small sized eligible and needy schools from participating in the program.

AAD RESPONSE

In its response, the Beneficiary states “[w]e submit that the tables cited above do not represent the actual criteria used to determine the award. Attached see a [*sic*] revised bid sheets that [accurately] represents the factors considered during the bid process.” In the revised bid sheets, the Beneficiary scored the bids for FRNs 1699029153 and 1699029157 as follows, with the highest score representing the best score:

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[6] See “Bid sheet 2016 Revised” PDF attached to email to AAD from Richard Bernstein, Consultant for Westchester School for Special Children’s Consultant (July 21, 2019).

[7] See “Bid Sheet 2016 MIB Revised” PDF attached to email to AAD from Richard Bernstein, Consultant for Westchester School for Special Children’s Consultant (July 21, 2019).

	Total Cost Per Month Quoted in Bid	Prices / Charges	Fit Between Request and Proposal	Service	Ineligible	Minutes	Prior Experience	Financial Stability	Multi-Year Contracts	Voluntary Extensions	Composite Vendors	Total
Maximum Percentage Available		*30%*	*10%*	*5%*	*5%*	*5%*	*25%*	*5%*	*5%*	*5%*	*5%*	*100%*
FRN 1699029153												
AT&T	$ 8,994	1.2	0.75	0.25	0.05	0.05	0.25	0.2	0	0.15	0.15	3.5
Sprint	$ 6,642	1.5	0.75	0.05	0.05	0.05	0.25	0.2	0	0.15	0.15	3.15
Verizon	$ 41,645	0.3	1.25	1.25	1.25	1.25	1.25	0.25	0	0.15	0.15	7.1

	Total Cost Per Month Quoted in Bid	Prices / Charge	Fit Between Request and Proposal	Prior Experience	Financial Stability	Multi-Year Contract	Voluntary Extensions	Composite Vendors	Total
Maximum Percentage Available		*30%*	*25%*	*25%*	*5%*	*5%*	*5%*	*5%*	*100%*
FRN 1699029157									
Knight Nets Inc.	$ 7,200	1.5	0.75	0.75	0.2	0.15	0.15	0.15	3.65
MetComm	$ 17,100	0.6	1.25	1.25	0.25	0.25	0.2	0.2	4

For FRN 1699029153, the revised bid sheets include three additional criteria to the evaluation and the maximum percentage available (weights) assigned to the "Fit between Request and Proposal" criterion has decreased. Also, the scores in the price category differs from the original scores awarded to the vendors. The cheapest bid proposed by Sprint was awarded the highest score in the price category while the most expensive bid proposed by Verizon was awarded the lowest score in the same category. For FRN 1699029157, the scores awarded in the price category differ from the original scores awarded to the vendors. The cheapest bid proposed by Knight Nets Inc. received a more favorable score in the price category over the higher bid proposed by MetComm. Due to these updates, the total points awarded to each vendor also differs than what was recorded in the original bid evaluation matrices. While the price appears to be the primary factor (i.e., the price/charge criterion is assigned 30%, while the other criteria were assigned 25% or 5%) and the Beneficiary appears to have made a cost-effective decision, the revised bid sheets were not provided to AAD during the audit nor was the process relating to scoring the bids in the additional criteria discussed with AAD. During the audit, the Beneficiary provided the bid evaluation matrices that included the exact criteria and scoring outlined in the Condition section above that it stated was used to select the service provider for FRNs 1699029153 and 1699029157. Also during the audit, the Beneficiary provided a blank template of the bid evaluation matrix that illustrated the same exact criteria and criteria weights outlined in the Condition section that were used by the Beneficiary to evaluate bids for services. The Beneficiary did not inform AAD of revised bid sheets or additional factors that it states were considered during the service provider selection process until after AAD presented the findings to the Beneficiary. In its argument, the Beneficiary states "the FCC in the SPOKANE ruling did not want applicants to change the evaluation scores in "hindsight"." However, the Beneficiary also argues that the bid sheets provided in response to this Finding were revised, which indicates there were changes made to the original documentation. AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[8] Because the bid evaluation documentation provided by the Beneficiary during the audit was revised subsequent to the audit, AAD cannot conclude that the revised documentation is sufficient or appropriate. Therefore, based on the documentation provided by the Beneficiary during the audit, AAD emphasizes that we cannot conclude that the Beneficiary selected the most cost-effective service offering using price of the eligible goods and services as the primary factor for FRNs 1699029153 and 1699029157.

In its response, the Beneficiary argues for FRN 1699029153 that "[a]djusting the price criteria to represent the price offered by the vendor and including the criteria that was stated on the bidding sheet [,] Verizon would clearly have been selected." For FRN 1699029157, the Beneficiary also argues that based on "the revised table plugging in the absolute price does not change the result. Accepting a proposal from Knights Net that does not respond to the request could have been disqualified as not being responsive to the request." However, the Beneficiary did not disqualify the vendor, Knights Net Inc. from the bid evaluation and the Beneficiary cannot revise the competitive bidding documentation to fit the outcome of the service provider selected subsequent to the audit. This does not demonstrate compliance with the Rules and AAD does not have authority to waive the Rules.

The Beneficiary also argues that "[s]uggesting that the Benificiary should have selected SPRINT [for FRN 1699029153] which does not provide adequate service[,] or AT&T which would require a massive replacement of telephone units certainly violates the cost effectiveness rule of the FCC." AAD wants to emphasize that we have not suggested nor are we suggesting that the Beneficiary should have selected the service provider, SPRINT. As stated above in the Condition section, while the Beneficiary may consider other factors during its bid evaluation, the price of eligible goods and services must represent the actual dollar amount proposed by a bidder. In the original bid evaluation documentation, AT&T and Verizon received the same score in the price category although the prices proposed by the vendors varied signficantly.

The Beneficiary further argues in its response that "[t]o cause severe hardship to the beneficiary based upon a technicality is not within the spirit of the 1996 Telecommunications Act and will discourage other small sized eligible and needy schools from participating in the program[.]" All participants of the Schools and Libraries Program are required to comply with the Rules. AAD re-emphasizes that we do not have authority to waive the Rules. Based on the original documentation provided during the audit and the revised documentation provided subsequent to the audit, AAD cannot conclude that the Beneficiary was in compliance with the competitive bidding requirements.

For the reasons above, AAD's position on this Finding remains unchanged.

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[8] 47 C.F.R. § 54.702(n) (2015). *See also* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

Finding #2: 47 C.F.R. § 54.520(c)(1)(i),(ii); 47 C.F.R. § 54.520(h) – Failure to Comply with CIPA Requirements - Missing Internet Safety Policy Elements and Lack of Public Hearing or Meeting

CONDITION

AAD obtained and examined documentation to determine whether the Beneficiary complied with the Children's Internet Protection Act (CIPA) requirements for FRNs 1699029153 and 1699029157. AAD reviewed the Beneficiary's Internet Safety Policy (ISP) and noted that the ISP did not sufficiently address the following required Internet safety elements:

- The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;
- Unauthorized access, including so-called "hacking," and other unlawful activities by minors on-line;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors;
- Educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.

In addition, the Beneficiary did not provide documentation demonstrating that a public meeting or hearing was held to discuss the ISP.[9] The Beneficiary informed AAD that they did not have a meeting to discuss the ISP.[10]

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[11] Because the Beneficiary did not sufficiently address four of the required elements in its ISP and did not conduct a public meeting or hearing to discuss the ISP, AAD is unable to conclude that the Beneficiary was compliant with all of the CIPA requirements. However, because the Beneficiary had an ISP and a filter to monitor Internet content, the Beneficiary was in substantial compliance with CIPA requirements.[12]

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the Internet safety policy elements that must be addressed in the ISP.

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[9] 47 C.F.R. § 54.516(a)(1) (2015).

[10] In response to an inquiry made on March 8, 2018, Westchester School of Special Children updated the Audit Inquiries Record (AIR) with their response on May 15, 2018.

[11] 47 C.F.R. § 54.702(n) (2015). *See also* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, ¶ 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").

[12] *See* Letter from Dana R. Shaffer, Chief, Wireline Competition Bureau to Scott Barash, Acting Chief Executive Officer, USAC, WC Docket No. 02-6, 24 FCC Rcd. 417 (Jan. 16, 2009).

EFFECT

There is no monetary effect associated with this Finding. While the Beneficiary may not have been in full compliance with all of the CIPA requirements for FRNs 1699029153 and 1699029157, the Beneficiary substantially complied with the spirit of the CIPA requirements.

RECOMMENDATION

The Beneficiary must implement controls and procedures to ensure it complies with the CIPA requirements and that it retains adequate records related to the application for, receipt, and delivery of discounted telecommunications and other supported services as required by the Rules. The Beneficiary must ensure that all required Internet safety policy elements are addressed in the ISP. The Beneficiary must cure this CIPA violation within six months following receipt of the audit report by providing reasonable public notice and holding a public meeting or hearing to address its ISP as required by the Rules. Further, AAD recommends the Beneficiary visit USAC's website at www.usac.org/sl/about/outreach/default.aspx to become familiar with the training and outreach available from SLP.

BENEFICIARY RESPONSE

We maintain that the school's CIPA policy modeled after the New York State E-rate Coordinator, follows ALL of the required CIPA elements. See the attached auditor's comments italicized followed in RED the alleged element that is clearly in the document. In addition, also attached is the USAC training slides with the corresponding elements. Furthermore, the FCC has ruled that CIPA deficiencies are curable.

AAD RESPONSE

AAD does not concur with the Beneficiary's argument that "…the school's CIPA policy … follows ALL of the required CIPA elements." As stated in the Condition, the ISP did not sufficiently address the following required Internet safety elements:

- The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;
- Unauthorized access, including so-called "hacking," and other unlawful activities by minors on-line;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors;
- Educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.

The Beneficiary provided to AAD an ISP which contains text referenced by the Beneficiary, which the Beneficiary asserts is "…the alleged element that is clearly in the document." AAD does not concur with this assertion. The text referenced by the Beneficiary is merely a restatement of the required element. The ISP does not indicate the specific actions that will be taken by the Beneficiary to address the required element. Restating the element itself is not sufficiently addressing the element.

The Beneficiary states that the FCC has ruled that CIPA deficiencies are curable. AAD does concur with this statement. As stated in the Recommendation section, the Beneficiary must cure this CIPA violation within six months following receipt of the audit report by providing reasonable public notice, holding a public meeting or hearing to address its ISP, and updating the ISP to include all elements as required by the Rules.

For the reasons above, AAD's position on this Finding remains unchanged.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.511(a) (2015).	Except as exempted in §54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.
#1	Requests for Review by Spokane School District 81 of Decisions of the Universal Service Administrator, CC Docket No. 02-6, Order, 28 FCC Rcd. 6026, 6028, DA 13-885, para. 4 (2013) (Spokane Order).	Although applicants may consider factors other than the pre-discount prices of eligible services when determining whether a particular offering is the most cost-effective, applicants must use the price of eligible services as the primary factor when selecting the winning offer for E-rate supported services…. Additionally, although Spokane argues that the contract awards would have been the same if the price of the ineligible items had been excluded from the "capital and life cycle cost" criterion, that alone does not demonstrate compliance with the applicable rule; nor does Spokane provide evidence to support that assertion.
#1	Request for Review by Ysleta Independent School District of the Decision of the Universal Service Administrator, CC Docket Nos. 96-45, 97-21, Order, 18 FCC Rcd. 26407, 26430-31, FCC 03-313, para. 52 (2003) (Ysleta Order).	[T]he prices relevant for our competitive bidding requirements are those of eligible services… [and] our past decisions require that actual price be considered in conjunction with these non-price factors to ensure that any consideration between price and technical excellence or other factors are reasonable. As noted above, the Commission stated in the Tennessee Order that it "certainly expect[s] that schools will evaluate the actual dollar amount proposed by a bidder…" for eligible services during the bidding process.
#2	47 C.F.R. § 54.520(c)(1)(i), (ii) (2015).	(i) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(h) must include a technology protection measure that protects against Internet access by both adults and minors to visual depictions that are obscene, child pornography, or, with respect to use of the computers by minors, harmful to minors. The school must enforce the operation of the technology protection measure during use of its computers with Internet access, although an administrator, supervisor, or other person authorized by the certifying authority under paragraph (a)(1) of this section may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose. This Internet safety policy must also include monitoring the online activities of minors. Beginning July 1, 2012, schools' Internet safety policies must provide for educating minors about appropriate online behavior, including interacting with other individuals on social networking Web sites and in chat rooms and cyberbullying awareness and response.

Finding	Criteria	Description
		(ii) The Internet safety policy adopted and enforced pursuant to 47 U.S.C. 254(l) must address all of the following issues: (A) Access by minors to inappropriate matter on the Internet and World Wide Web, (B) The safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications, (C) Unauthorized access, including so-called "hacking," and other unlawful activities by minors online; (D) Unauthorized disclosure, use, and dissemination of personal information regarding minors; and (E) Measures designed to restrict minors' access to materials harmful to minors.
#2	47 C.F.R. § 54.520(h) (2015).	A school or library shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.
#2	47 C.F.R. § 54.516(a)(1) (2015).	Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.
#2	47 C.F.R. § 54.702(n) (2015).	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards. In administering the Universal Service Fund, the Administrator shall also comply with all relevant and applicable federal financial management and reporting statutes.