



Schools and Libraries Committee

Audit Report Briefing Book

Tuesday, April 28, 2020

10:00a.m. - 11:00 a.m. ET

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: January 8,2020

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Santa Fe Preparatory School Attachment A	4	<ul style="list-style-type: none"> • <u>Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary.</u> The services requested on the FCC Form 471 were not listed on the referenced FCC Form 470. • <u>Price Was Not the Primary Factor During the Bid Evaluation.</u> On the bid evaluation matrix, price of the eligible services was not the most heavily weighted criterion. • <u>Inaccurate Discount Percentage.</u> The methods used to calculate its discount percentage was not a federally approved discount calculation mechanism. 	\$16,871	\$48,694	\$28,334	\$34,962	Y
Total	4		\$16,871	\$48,694	\$28,334	\$34,962	

- * 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.

INFO Item: Audit Released 01/08/20
Attachment A
4/28/20

Attachment A

SL2017LR007

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Santa Fe Preparatory School

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2017LR007

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EXECUTIVE SUMMARY

July 23, 2019

Jim Leonard, Head of School
Santa Fe Preparatory School
1101 Camino De Cruz Blanca
Santa Fe, NM 87505

Dear Mr. Leonard:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Santa Fe Preparatory School (Beneficiary), Billed Entity Number (BEN) 99288, 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.

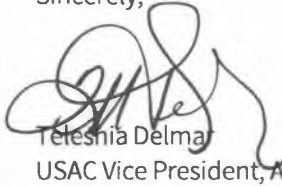
AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable 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 four 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,

A handwritten signature in black ink, appearing to read 'Telesnia Delma', with a large, stylized flourish extending from the end of the signature.

Telesnia Delma
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	Overlapping Recovery¹	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 CFR §54.503(c)(1)(ii) – Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary. The services requested on the FCC Form 471 were not listed on the referenced FCC Form 470.	\$15,782	\$0	\$15,782	\$15,782
Finding #2: 47 CFR § 54.511(a) – Price Was Not the Primary Factor During the Bid Evaluation. On the bid evaluation matrix, price of the eligible services was not the most heavily weighted criterion.	\$14,797	\$0	\$8,169	\$14,797
Finding #3: 47 CFR §54.505(b)(1) – Inaccurate Discount Percentage. The methods used to calculate its discount percentage was not a federally-approved discount calculation mechanism.	\$12,367	\$7,984	\$4,383	\$4,383
Finding #4: 47 CFR § 54.520(c)(1)(i) – Failure to Comply with CIPA Requirements – TPM was Not in Place During the Entire Funding Year. The technology protection measure was not operating for the entire funding year.	\$5,748	\$5,748	\$0	\$0
Total Net Monetary Effect	\$48,694	\$13,732	\$28,334	\$34,962

¹ 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. If there are other FRNs 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 resources. 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/step03/discounts.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>

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
1699118966	\$15,782	\$15,782
1699118325	\$8,169	\$14,797
1699075660	\$546	\$546
1699075751	\$3,837	\$3,837
Total	\$28,334	\$34,962

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	\$15,782	\$15,782
Internet Access	\$16,456	\$955
Voice	\$7,853	\$134
Total	\$40,091	\$16,871

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 eight Funding Request Numbers (FRNs). AAD selected four of the eight FRNs², which represent \$37,786 of the funds committed and \$16,737 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 private school located in Santa Fe, New Mexico that serves over 300 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.

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

² The FRNs included in the scope of this audit were: 1699075660, 1699075751, 1699118325, and 1699118966.

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 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 equipment and 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 equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. §54.503(C)(1)(II) - Insufficient Information to Enable Bidders to Reasonably Determine the Needs of the Beneficiary

CONDITION

AAD obtained and examined documentation, including the FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form*, FCC Form 471 *Description of Services Ordered and Certification Form*, and the service provider bids responding to the requested services to determine whether the Beneficiary conducted a fair and open competitive bidding process and whether the Beneficiary's request for services included sufficient information to enable bidders to reasonably determine the Beneficiary's needs for internal connections for FRN 1699118966. In its FCC Form 470 No. 160037838, the Beneficiary's request for internal connection services included "Wireless Controller" and "WAP" (wireless access points). However, in its FCC Form 471, the Beneficiary requested and SLP approved funding for "Cabling", "Connectors", "Installation, Activation, & Initial Configuration"; and various fees and taxes associated with the requested cabling and connectors. In addition, in its FCC Form 471, the Beneficiary listed the FCC Form 470 No. 160037838 as the establishing FCC Form 470 for FRN 1699118966. However, the Beneficiary did not request cabling and connectors equipment on its FCC Form 470.³

The Beneficiary informed AAD that it contacted Camnet, Inc. (Camnet) and IT Connect for bid proposals and to perform a walkthrough of the school to determine the needs of the Beneficiary.⁴ Camnet was the only vendor to submit a bid proposal for network cabling and thus, the Beneficiary selected Camnet to provide the internal connection services. Because the Beneficiary requested "Wireless Controller" and "WAP" in its FCC Form 470 and did not request network cabling, the FCC Form 470 did not contain sufficient information to enable bidders to reasonably determine that the Beneficiary was seeking bids for network cabling.⁵ Further, the Rules provide an illustrative list of activities or behaviors that would not result in a fair and open competitive bidding process and, one such example is when the Beneficiary's FCC Form 470 does not describe the supported services with sufficient specificity to enable interested service providers to submit responsive bids.⁶ For these reasons, AAD cannot conclude that the Beneficiary conducted a fair and open competitive bidding process for the network cabling services that were requested in its FCC Form 471.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules regarding the competitive bidding process. The Beneficiary did not include a request for network cabling services in its FCC Form 470 as it initially thought that the requested services would be primarily ineligible and would place the Beneficiary over its Category Two budget, so it sought bids on its own. After a review of the estimates needed to complete the project, the Beneficiary reduced the initial estimates and determined that SLP funding would be available for the network cabling request.

³ 47 C.F.R. § 54.503(c)(1)(i) (2015).

⁴ Email to AAD from Mike Boyle, Consultant for Santa Fe Preparatory School (May 23, 2017).

⁵ 47 C.F.R. § 54.503(a) (2015).

⁶ *Id.*

EFFECT

The monetary effect of this Finding is \$15,782. This amount represents the total amount disbursed by SLP for the Beneficiary's discounted portion of the internal connections services delivered for FRN 1699118966.

RECOMMENDATION

AAD recommends USAC management seek recovery of \$15,782. The Beneficiary must implement controls and procedures to ensure it conducts a fair and open competitive bidding process by providing service providers with an opportunity to submit a bid proposal based on the needs of the Beneficiary and providing sufficient information to enable potential bidders to reasonably determine the needs of the Beneficiary. AAD also recommends the Beneficiary examine the Rules to familiarize itself with the Rules governing a fair and open competitive bidding process.

BENEFICIARY RESPONSE

We agree with the findings.

Finding #2: 47 C.F.R. §54.511(a) – Price Was Not the Primary Factor During Bid Evaluation**CONDITION**

AAD obtained and examined documentation, including the bids responding to the Beneficiary’s requested services and the Beneficiary’s bid evaluation matrix, to determine whether the Beneficiary carefully considered all bids and selected the most cost-effective service offering using price of the eligible services as the primary factor for the Internet access services requested for FRN 1699118325. The Beneficiary received and evaluated bids submitted by Comcast Business (Comcast), CenturyLink Government (CenturyLink), and Windstream. AAD determined through an examination of the documentation and inquiries made of the Beneficiary that the Beneficiary did not select the most cost-effective service offering using price of the eligible services as the primary factor.

AAD examined the Beneficiary’s bid evaluation matrix and determined that the Beneficiary’s selection criteria included: (1) price, (2) existing partner, and (3) satisfaction with partner. The Beneficiary scored the bids as follows:

Vendor	Price (Out of 100)	Existing Partner (Out of 25)	Satisfaction with Partner (Out of 100)	Total
Comcast	100	25	50	175
CenturyLink	50	0	0	50
Windstream	75	25	100	200

For the price criterion, the Beneficiary awarded 100 points to the vendor with the lowest price offering, 75 points to the vendor with the second lowest price offering, and 50 points to the vendor with the highest price offering. For the existing partner criterion, the Beneficiary awarded 25 points to the vendor if it was the Beneficiary’s current vendor and awarded 0 points if the vendor was not the Beneficiary’s existing vendor. For the satisfaction with partner criterion, the Beneficiary awarded 100 points to the vendor with the best satisfaction, 50 points to the vendor with medium satisfaction and 0 points to the vendor with the least satisfaction.⁷ The Beneficiary selected Windstream as its service provider because Windstream’s total score was the highest amongst all of the vendors. However, AAD cannot determine whether Windstream is the most cost-effective service offering because the weight assigned to the satisfaction with partner criterion equaled the weight of the price criterion (e.g., both criteria was weighed at 100 points). Thus, AAD cannot conclude that price was the primary factor during the bid evaluation for the Internet access services for FRN 1699118325.⁸

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 of the eligible goods and services as the primary factor.

⁷ Email to AAD from John Utsey, Santa Fe Preparatory School Technology Director (April 4, 2017).

⁸ See *Request for Review of the Decision of the Universal Service Administrator by Ysleta Independent School District, et al.*, CC Docket No. 02-6, Order, 18 FCC Rcd. 26407, para. 50 (2003) (Ysleta Order).

EFFECT

The monetary effect of this Finding is \$14,797. This amount represents the total amount committed by SLP to the Beneficiary for FRN 1699118325.

RECOMMENDATION

AAD recommends USAC management seek recovery of \$8,169. This amount represents the total amount disbursed for FRN 1699118325. AAD also recommends USAC management issue a downward commitment adjustment to \$0 for FRN 1699118325. In addition, the Beneficiary must implement controls and procedures to ensure it carefully considers all bid proposals and selects the most cost-effective service offering, using price of the eligible goods and services as the primary factor considered. AAD also recommends the Beneficiary examine the Rules to familiarize itself with the Rules governing the competitive bidding process. Also, AAD 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 SLP’s outreach on USAC’s website at <https://www.usac.org/sl/about/outreach/default.aspx>.

BENEFICIARY RESPONSE

We understand the letter of the law now, however in this case we think we have a valid argument about the bid weighting.

However, AAD cannot determine whether Windstream is the most cost-effective service offering because the weight assigned to the satisfaction with partner criterion equaled the weight of the price criterion (e.g., both criteria was weighed at 100 points).

The bid process allows us to create our own categories and assign our own weights. We understood the process to be that nothing could have more points than cost. Our mistake was to assign something the same number of points. Given that we are allowed to create our own categories and assign our own weights USAC must agree that price can not [sic] be the only consideration. In this case the selection process can be modified such that any bid could win depending on the categories and scores chosen by the Beneficiary. If we had weighted the category 99 points down to 51 points, awarded the full score to Windstream and half the score to Comcast, Windstream still would have come out ahead.

	Price	Partner	Satisfaction	Total
Comcast	100	25	45.5	170.5
Century Link	50	0	0	50
Windstream	75	25	99	199

	Price	Partner	Satisfaction	Total
Comcast	100	25	25.5	150.5
Century Link	50	0	0	50
Windstream	75	25	51	151

We were coming off of a year where we had numerous outages from Comcast, and poor customer service and response time. We didn’t trust them to deliver the high quality, robust internet service they promised. And we wanted to reflect that in our selection promise. In retrospect we shouldn’t have awarded them any points in the Satisfaction category, and as long as Windstream was awarded more than 25 points in the Satisfaction category, they still would have won the bid. At any rate we

weren't trying to cheat the system, and it is easy to see that whatever the weight was from 51-99 maximum points the outcome would have been the same.

Because of this we think a full return of the dispersed [*sic*] funds is too stiff of a penalty. We have learned very clearly what the FCC rules stipulate, and will strictly adhere to them in the future. But our intent was not to deceive the FCC or USAC, only to make the best decision for our institution, and our students.

AAD RESPONSE

AAD concurs with the Beneficiary's statement that "...price can not [*sic*] be the only consideration" when undergoing the competitive bidding process. The Beneficiary may choose as many factors in its bid evaluation as it wants, but the price of the eligible products and services must be the primary factor and must be weighted more heavily than any other single factor. The Beneficiary argues that if the weights of the criteria used during the bid evaluation and the points provided to each of the vendors were adjusted, it would have selected the same service provider. However, AAD cannot base its conclusions on hypothetical circumstances created by the Beneficiary. AAD is required to obtain sufficient, and appropriate evidence to substantiate audit findings and conclusions.⁹ Based on the bid evaluation documentation (provided by the Beneficiary during the audit) used to select the service provider, price was not the most heavily weighted criterion.

In addition, the Beneficiary also states that "...a full return of the dispersed [*sic*] funds is too stiff of a penalty." AAD does not concur with the Beneficiary's statement. The FCC clarified that "...it is appropriate to recover the full amount disbursed in a situation where the beneficiary failed to consider price as the primary factor when evaluating among competing bids."¹⁰ As noted in the Condition section, the weight assigned to the satisfaction with partner criterion equaled the weight of the price criterion (e.g., both criteria was weighed at 100 points). Therefore, AAD cannot conclude that price was the primary factor.

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

⁹ 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.").

¹⁰ *Fifth Report and Order*, para. 21.

Finding #3: 47 C.F.R. §54.505(b)(1) – Inaccurate Discount Percentage**CONDITION**

AAD obtained and examined documentation and made inquiries of the Beneficiary to determine whether the Beneficiary properly calculated its discount percentage for FRNs 1699075660, 1699075751, 1699118325, and 1699118966. To substantiate its discount calculation on its FCC Form 471, the Beneficiary verbally informed AAD that it estimated the number of students who would enroll for the 2016-2017 school year to determine its total student count of 309 students. In addition, the Beneficiary reported 117 students who received financial aid for the 2015-2016 school year to determine its National School Lunch Program (NSLP) student count on its FCC Form 471. Using these methods, the Beneficiary calculated its discount percentage to be 60% for Internet access and internal connections services and 20% for voice services. However, the methods used by the Beneficiary to calculate its discount percentage as reported on its FCC Form 471 was not a federally-approved discount calculation mechanism.

AAD requested documentation to recalculate the Beneficiary's discount percentage. The Beneficiary provided a copy of its 2015-2016 student roster that identified a total enrollment of 312 students. The Beneficiary also provided a report from its School & Student Services System (SSS) by the National Association of Independent Schools (NAIS) that identified 34 NSLP eligible students for the 2015-2016 school year. AAD recalculated the Beneficiary's discount percentage using the total enrollment and NSLP data from the SSS by NAIS report and determined that the discount percentage for Internet access and internal connections services decreased from 60% to 40% and the discount percentage for voice services decreased from 20% to 0%.¹¹ Thus, AAD cannot conclude that the Beneficiary properly calculated its discount percentage on its FCC Form 471.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules for calculating its discount percentage. The Beneficiary verbally informed AAD that it was not aware that it needed to determine the number of NSLP eligible students when calculating its discount percentage.

EFFECT

The monetary effect of this Finding is \$12,367. This amount represents the amounts disbursed by SLP for the Beneficiary's discounted portion of the services delivered for FRNs 1699075660, 1699075751, 1699118325, and 1699118966, as summarized in the table listed below:

¹¹ See 47 C.F.R. § 54.505(b)(3), (d) (2015).

Recalculation of the Disbursement Amounts Based on the Recalculated Discount Percentage								
FRN	Year	Service Type	Total Pre-Discounted Charges	Original		Recalculated		Difference between the Original and Recalculated Amount
				Discount	Disbursed Amount	Discount	Disbursed Amount	
1699075660	2016	Internet Access	\$2,728	60%	\$1,637	40%	\$1,091	\$546
1699075751	2016	Voice	\$19,185	20%	\$3,837	0%	\$0	\$3,837
1699118325	2016	Internet Access	\$13,615	60%	\$8,169	40%	\$5,446	\$2,723
1699118966	2016	Internal Connections	\$26,304	60%	\$15,782	40%	\$10,522	\$5,261
Total Monetary Effect								\$12,367

RECOMMENDATION

AAD recommends USAC management seek recovery of the \$12,367 disbursed for FRNs 1699075660, 1699075751, 1699118325, and 1699118966. In addition, AAD recommends USAC management issue a downward commitment adjustment of 20% for FRNs 1699075660, 1699075751, 1699118325 and 1699118966. In addition, the Beneficiary must implement controls and procedures to ensure that its discount percentage is calculated using a federally-approved discount calculation mechanism consistent with the Rules. Further, AAD recommends the Beneficiary visit USAC's website at <http://www.usac.org/sl/about/outreach/default.aspx> to become familiar with the training and outreach available from SLP.

BENEFICIARY RESPONSE

We agree with the findings. If we are paying back FRN 1699118966 per Finding #1 this should be reduced by \$5,261. If we are paying back FRN 1699118325 per Finding #2 then it should be further reduced by \$2,723.

AAD RESPONSE

In its response, the Beneficiary states that its “[i]f we are paying back FRN 1699118966 per Finding #1 this should be reduced by \$5,261. If we are paying back FRN 1699118325 per Finding #2 then it should be further reduced by \$2,723.” However, AAD calculates the monetary effect for each Finding individually. As noted in footnote 1 in the Audit Results and Commitment Adjustment/Recovery Action section, if a finding with an overlapping recovery is subsequently waived via appeal, the overlapping recovery with that finding will be recovered with the remaining findings.

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

Finding #4: 47 C.F.R. §54.520(c)(1)(i) - Failure To Comply With CIPA Requirements – TPM Was Not in Place During the Entire Funding Year**CONDITION**

AAD obtained and examined documentation to determine whether the Beneficiary was in compliance with the Children's Internet Protection Act (CIPA) requirement to have a technology protection measure (TPM) in place during the funding year for FRNs 1699075660, 1699118325, and 1699118966. The Beneficiary purchased the TPM, SonicWall, which enables the Beneficiary to block inappropriate websites and monitor online activity, on November 24, 2014 for a two-year period ending on November 24, 2016. After the end of the service period, the services were renewed on February 15, 2017. The Beneficiary did not have a TPM in place for 82 days (November 25, 2016 to February 14, 2017) of the Funding Year.¹² Thus, AAD cannot conclude the Beneficiary had a TPM in place during the entire funding year. Therefore, the Internet access and internal connections services received during this time period were ineligible for SLP support.¹³

For the Internet access FRN 1699075660, the Beneficiary requested and SLP approved and committed funds totaling \$1,659, of which \$1,637 was disbursed. The amount of funds disbursed by SLP for ineligible Internet access services totaled \$367 ($\$1,637 * (82 \text{ days that the TPM was inactive} / 365 \text{ days of services invoiced to SLP})$). For the Internet access FRN 1699118325, the Beneficiary requested and SLP approved and committed funds totaling \$14,797, of which \$8,169 was disbursed. The amount of funds disbursed by SLP for ineligible Internet access services totaled \$1,835 ($\$8,169 * (82 \text{ days that the TPM was inactive} / 365 \text{ days in the Funding Year})$). For the internal connections FRN 1699118966, the Beneficiary requested and SLP approved and committed funds totaling \$15,782. The amount of funds disbursed by SLP for ineligible internal connections services totaled \$3,546 ($\$15,782 * (82 \text{ days that the TPM was inactive} / 365 \text{ days in the Funding Year})$). Thus, the total discounted cost of Internet access and internal connections services received by the Beneficiary when a TPM was not in place during the Funding Year was \$5,748 ($\$367 + \$1,835 + \$3,546$).¹⁴

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure compliance with the CIPA requirements. The Beneficiary was unaware that the TPM was inactive until after the audit was announced.

EFFECT

The monetary effect of this Finding is \$5,748. This amount represents the portion of funds disbursed for FRNs 1699075660, 1699118325, and 1699118966 for ineligible Internet access and internal connections services.

RECOMMENDATION

AAD recommends USAC management seek recovery of \$5,748. This amount represents the portion of funds disbursed for Internet access and internal connections services requested and received during the Funding Year when a TPM was not in place for FRNs 1699075660, 1699118325, and 1699118966. The Beneficiary must implement controls and procedures to ensure that there is a TPM in place throughout the entire Funding Year.

¹² *In the Matter of Federal-State Joint Board on Universal Service Children's Internet Protection Act*, CC Docket No. 96-45, Report and Order, 16 FCC Rcd 8182, paras. 1, 6 (2001).

¹³ *Id.* at para. 6.

¹⁴ 47 C.F.R. § 54.520(e)(1) (2015).

In addition, the Beneficiary must implement controls and procedures to ensure that SLP is only invoiced for eligible services.

BENEFICIARY RESPONSE

We agree with the finding. If FRN 1699118966 is repayed in full per Finding 1, and FRN 1699118325 is repayed in full per Finding 2 then FRN 1699075660 remains. FRN 1699075660 will be reduced from \$1,637 to \$1091 per Finding #3. $\$1091 / (365 * 82) = \245.10 [.] Our liability should be \$245.10.

AAD RESPONSE

In its response, the Beneficiary states that its “liability should be \$245.10”. However, AAD calculates the monetary effect for each Finding individually. As noted in footnote 1 in the Audit Results and Commitment Adjustment/Recovery Action section, if a finding with an overlapping recovery is subsequently waived via appeal, the overlapping recovery with that finding will be recovered with the remaining findings.

For this reason, AAD’s position on this Finding remains unchanged.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.503(c)(1)(ii) (2015).	Posting of FCC Form 470. (1) An eligible school, library, or consortium that includes an eligible school or library seeking bids for eligible services under this subpart shall submit a completed FCC Form 470 to the Administrator to initiate the competitive bidding process. The FCC Form 470 and any request for proposal cited in the FCC Form 470 shall include, at a minimum, the following information: (ii) Sufficient information to enable bidders to reasonably determine the needs of the applicant[.]
#1	47 C.F.R. § 54.503(c)(1)(i) (2015).	<i>Posting of FCC Form 470.</i> (1) An eligible school, library, or consortium that includes an eligible school or library seeking bids for eligible services under this subpart shall submit a completed FCC Form 470 to the Administrator to initiate the competitive bidding process. The FCC Form 470 and any request for proposal cited in the FCC Form 470 shall include, at a minimum, the following information: (i) A list of specified services for which the school, library, or consortium requests bids[.]
#1	47 C.F.R. § 54.503(a) (2015).	All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.
#2	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.
#2	<i>Request for Review of the Decision of the Universal Service Administrator by Ysleta Independent School District, et al., CC Docket No. 02-6, Order, 18 FCC Rcd. 26407, para. 50 (2003) (Ysleta Order).</i>	[P]rice must be the primary factor in considering bids. Applicants may also take other factors into consideration, but in selecting the winning bid, price must be given more weight than any other single factor.
#3	47 C.F.R. § 54.505(b)(1) (2015).	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

Finding	Criteria	Description
		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.
#3	47 C.F.R. § 54.505(b)(3), (d) (2015).	Discounts for category one voice services shall be reduced by 20 percentage points off applicant discount percentage rates for each funding year starting in funding year 2015, and reduced by an additional 20 percentage points off applicant discount percentage rates each subsequent funding year.
#4	47 C.F.R. § 54.520(c)(1)(i) (2015).	...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...
#4	<i>In the Matter of Federal-State Joint Board on Universal Service Children's Internet Protection Act</i> , CC Docket No. 96-45, Report and Order, 16 FCC Rcd 8182, para. 1 (2001).	[S]chools and libraries that have computers with Internet access must certify that they have in place certain Internet safety policies and technology protection measures in order to be eligible under section 254(h) of the Communications Act of 1934, as amended (the Act), to receive discounted Internet access, Internet services and internal connection services.
#4	<i>Id.</i> , at 8186, para. 6.	CIPA amends, <i>inter alia</i> , section 254 of the Act to impose new requirements on schools and libraries 'having computers with Internet access' and receiving discounted services under the schools and libraries universal service support mechanism. Specifically, under CIPA, no school or library may receive universal service discounts unless the authority with responsibility for administration of the school or library makes the required certifications, and ensures the use of such computers in accordance with the certifications. They must certify that they are enforcing a policy of Internet safety and have in place a technology protection measure.
#4	47 C.F.R. § 54.520(e)(1) (2015).	A school or library that knowingly fails to ensure the use of computers in accordance with the certifications in accordance with the certifications required by this section, must reimburse any funds and discounts received under the federal universal service support mechanism for schools and libraries for the period in which there was non-compliance.

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: February 5, 2020.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Le Jardin Academy Attachment B	3	<ul style="list-style-type: none"> <li data-bbox="520 462 974 930">• <u>Lack of Documentation – Failure to Demonstrate the Most Cost-Effective Bid Proposal Was Selected.</u> The Beneficiary did not provide documentation, such as a bid evaluation matrix or bid evaluation notes, demonstrating how price and non-price factors were evaluated and was unable to demonstrate that price was the primary factor when considering the bids received. <li data-bbox="520 954 974 1203">• <u>Eligible Services – Beneficiary Over-Invoiced SLP for Ineligible Services and Equipment.</u> The Beneficiary invoiced SLP for the migration of ineligible network servers to the cloud. 	\$42,282	\$55,588	\$27,744	\$27,844	Y

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Archdiocese of Chicago Schools Attachment C	4	<ul style="list-style-type: none"> • <u>Beneficiary Did Not Conduct a Fair and Open Competitive Bidding Process</u> – The Beneficiary requested on the FCC Form 470 and solicited bids for 50 Mbps of service but chose a service provider to provide 250 Mbps. This change in speed limited the competitive bidding process, as some potential bidders may not have bid on the services based on what the Beneficiary requested in the FCC Form 470. • <u>Equipment Not Installed by the Required Deadline</u> – The equipment purchased for Location Beneficiary Resurrection College Preparatory was not installed by the required deadline. 	\$78,645	\$16,689	\$1,204	\$15,485	Y
Total	7		\$120,927	\$72,277	\$28,948	\$43,329	

- * 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.

INFO Item: Audit Released 02/05/20
Attachment B
4/28/20

Attachment B

SL2017LR074

Available for Public Use



Universal Service
Administrative Co.

Le Jardin Academy

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2017LR074

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Universal Service
Administrative Co.

EXECUTIVE SUMMARY

August 20, 2019

Mr. D.J. Condon, Head of School
Le Jardin Academy
917 Kalanianaʻole Highway
Kailua, HI 96734

Dear Mr. Condon:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Le Jardin Academy (Beneficiary), Billed Entity Number (BEN) 112641, using the 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.

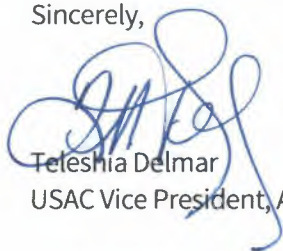
Based on the test work performed, our examination disclosed three detailed audit findings (Findings) and one other matter (Other Matter) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period. An "other matter" is a condition that does not necessarily constitute a rule violation but warrants the Beneficiary and USAC Management's attention.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the 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,

A handwritten signature in blue ink, appearing to read 'Teleshia Delmar', is written over the printed name.

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 whether the Beneficiary conducted a fair and open competitive bidding process and selected the most cost-effective service provider for FRNs 1699088198, 1699088201, 1699088203, and 1699088207.¹

Audit Results	Monetary Effect (A)	Overlapping Recovery ² (B)	Recommended Recovery (A) - (B)	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.516(a)(1) – Lack of Documentation - Failure to Demonstrate the Most Cost-Effective Bid Proposal Was Selected. The Beneficiary did not provide documentation, such as a bid evaluation matrix or bid evaluation notes, demonstrating how price and non-price factors were evaluated and was unable to demonstrate that price was the primary factor when considering the bids received.	\$27,844	\$0	\$27,744	\$27,844
Finding #2: 47 C.F.R. § 54.502(a) – Eligible Services – Beneficiary Over-Invoiced SLP for Ineligible Services and Equipment. The Beneficiary invoiced SLP for the migration of ineligible network servers to the cloud.	\$27,744	\$27,744	\$0	\$0
Finding #3: 47 C.F.R. § 54.520(h) – Failure to Comply with CIPA Requirements - Lack of Public Hearing or Meeting & Lack of Public Notice. The Beneficiary did not provide documentation demonstrating that a public meeting or hearing was held to discuss the ISP and provided reasonable public notice for the public meeting or	\$0	\$0	\$0	\$0

¹ See the Purpose, Scope, Background and Procedures section below and Finding #1 (Lack of Documentation – Failure to Demonstrate the Most Cost-Effective Bid Proposal Was Selected) 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.

Audit Results	Monetary Effect (A)	Overlapping Recovery ² (B)	Recommended Recovery (A) - (B)	Recommended Commitment Adjustment
hearing.				
Other Matter #1: 47 C.F.R. § 54.503(a) - Inadequate Competitive Bidding Process - Beneficiary did not Intend to Consider Bids. Although the Beneficiary began the competitive bidding process by submitting a Funding Year 2016 FCC Form 470 for Internet access services, the Beneficiary explained to AAD that it did not intend to evaluate any new bids since it would continue with its incumbent service providers.	\$0	\$0	\$0	\$0
Total Net Monetary Effect	\$55,588	\$27,744	\$27,744	\$27,844

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 under the scope of the findings there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issues identified.

USAC refers the applicant to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/competitive-bidding/>
- <https://www.usac.org/video/sl/10-comp-bidding/index.html>
- <https://www.usac.org/e-rate/applicant-process/invoicing/>
- <https://www.usac.org/video/sl/14-navigating-invoice-process/index.html>
- <https://www.usac.org/e-rate/trainings/bear-training-site/>
- <https://www.usac.org/e-rate/applicant-process/starting-services/cipa/>

USAC records show the Beneficiary is currently subscribed to Schools and Libraries weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-rate Program.

FRN	Recovery Amount	Commitment Adjustment Amount
1699088198	\$1,440	\$1,540
1699088201	\$13,721	\$13,721
1699088203	\$7,464	\$7,464
1699088207	\$5,119	\$5,119
Total	\$27,744	\$27,844

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	\$9,004	\$0
Managed Internal Broadband Services	\$22,052	\$0
Internet Access	\$69,983	\$42,282
Total	\$101,039	\$42,282

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

The committed total represents three FCC Form 471 applications with nine Funding Request Numbers (FRNs). AAD selected four of the nine FRNs,³ which represent \$76,322 of the funds committed and \$28,508 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 2016.⁴

BACKGROUND

The Beneficiary is a private school located in Kailua, Hawaii that serves over 800 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 inspection of documentation to determine whether the Beneficiary was eligible to receive

³ The FRNs included in the scope of this audit were: 1699071307, 1699071340, 1699088203, and 1699088201.

⁴See the Lack of Documentation - Failure to Demonstrate the Most Cost-Effective Bid Proposal Was Selected Detailed Audit Finding for discussion of the scope limitation regarding the Beneficiary’s compliance with the Rules surrounding conducting a fair an open competitive bidding process and selecting the most cost-effective service provider.

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 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 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 attempted to evaluate the equipment and services requested and purchased for cost effectiveness as well. However, due to the Beneficiary's failure to maintain 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 and that the services requested and purchased were cost-effective.

C. Beneficiary Location

AAD used inquiry and inspection of documentation 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.

D. 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 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 examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR and SPI forms for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the BEAR and SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the SLP Eligible Services List.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.516(a)(1) – Lack of Documentation - Failure to Demonstrate the Most Cost-Effective Bid Proposal Was Selected

CONDITION

AAD obtained and examined documentation, including the service provider bids responding to the requested services, to determine whether the Beneficiary carefully considered all bids and selected the most cost-effective offering using price of the eligible goods and services as the primary factor for FRNs 1699088198, 1699088201, 1699088203, and 1699088207. In its FCC Form 470, the Beneficiary requested internal connections, including a firewall, network controllers, servers, cabling, uninterrupted power supplies, and access points. The Beneficiary received bid proposals submitted by DRFortress, NetEnterprise, Luhina Optical Internet (Luhina), and SystemMetrics Corporation (SystemMetrics) for the requested equipment and services.

The Beneficiary selected DRFortress as its service provider for FRNs 1699088198, 1699088201, 1699088203, and 1699088207. AAD examined the bids provided by the Beneficiary and identified the following quoted costs in the bid proposals.

	Monthly Recurring Costs	Calculated Annual Cost for Recurring Services	Non-Recurring Costs	Total Funding Year 2016 Costs
DRFortress	\$4,594	\$55,130	\$22,510	\$77,640
NetEnterprise	\$5,601	\$67,206	\$34,510	\$101,716
Luhina	\$1,532	\$18,383	\$9,003	\$27,386
SystemMetrics	\$2,408	\$28,890	\$250	\$29,140

The Beneficiary informed AAD that “[b]ids were reviewed for the following criteria: a) bids from service providers with on island support services were rated higher, b) bids for data center services were rated higher if ISP agnostic, c) security at the data center was considered a high priority, and d) relative costs were compared to ensure value.”⁵ However, the Beneficiary did not provide documentation, such as a bid evaluation matrix or bid evaluation notes, demonstrating how these factors were evaluated. In addition, because no documentation was provided, the Beneficiary was unable to demonstrate that price was the primary factor when considering the bids received.

⁵ See Beneficiary’s response to question no. 8 in the Competitive Bidding section of AAD’s *Process Interview Questionnaire* uploaded to Dropbox from Melissa Handy, Director of Education Technology, Le Jardin Academy to AAD (Nov. 4, 2017).

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.⁶ Because DRFortress was not the cheapest service offering and the Beneficiary did not provide documentation demonstrating its rationale for selecting DRFortress, AAD is unable to conclude that the Beneficiary complied with the Rules that require the Beneficiary to select the most cost-effective service offering using price of eligible services as the primary factor.⁷

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 of the eligible goods and services as the primary factor. The Beneficiary did not review the Rules in detail, including the relevant Rules that provided clarification on the competitive bidding requirements and selecting the most cost-effective service offering using price of the eligible goods and services as the primary factor.

EFFECT

The monetary effect of this Finding is \$27,844. This amount represents the total funds committed by SLP for the following FRNs:

FRN	Committed Amount	Disbursed Amount
1699088198	\$1,540	\$1,440
1699088201	\$13,721	\$13,721
1699088203	\$7,464	\$7,464
1699088207	\$5,119	\$5,119
Total	\$27,844	\$27,744

RECOMMENDATION

AAD recommends USAC management seek recovery of \$27,744 and issue a downward commitment adjustment to reduce the committed amounts for FRNs 1699088198, 1699088201, 1699088203, and 1699088207 to \$0. The Beneficiary must implement controls and procedures to ensure it carefully considers all bids and selects the most cost-effective service offering using price of eligible goods and services as the primary factor considered, as required by the Rules. 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. In addition, AAD 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 SLP’s outreach on USAC’s website at <http://www.usac.org/sl/about/outreach/default.aspx>.

⁶ 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.”).

⁷ 47 C.F.R. § 54.511(a) (2015).

BENEFICIARY RESPONSE

We completely disagree with this finding. Considering the audit team extended their audit by 10 months passed the initially promised April 2018 report date, we would like 30 days to gather our documentation and provide a formal response.

AAD RESPONSE

In its response, the Beneficiary states “[c]onsidering the audit team extended their audit by 10 months passed the initially promised April 2018 report date, we would like 30 days to gather our documentation and provide a formal response.” In AAD’s audit announcement letter to the Beneficiary, AAD listed an estimated completion date for the audit as April 2018. However, AAD also noted in the announcement letter that the completion date of the audit depended on the complexities of the audit and other factors such as timely submission of documentation, the condition of the records to be reviewed, unexpected complications and more.

AAD completed the audit fieldwork and provided the Beneficiary with the draft audit findings on February, 6, 2019 and requested the Beneficiary’s response by February 13, 2019. As noted in the Beneficiary’s response, the Beneficiary requested an additional 30 days to provide its response. AAD agreed to extend the due date for the Beneficiary’s response and followed up with the Beneficiary when the response was due. The Beneficiary did not provide a response and requested another extension until June 15, 2019. AAD again agreed to extend the response due date to June 15, 2019. However, as of the date of this audit report, the Beneficiary had not provided any additional documentation.

Finding #2: 47 C.F.R. § 54.502(a) – Beneficiary Over-Invoiced SLP for Ineligible Services and Equipment

CONDITION

AAD obtained and examined the FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) form, the corresponding service provider bills, and the contracts executed with the service provider to determine whether the Schools and Libraries Program (SLP) was invoiced only for eligible services and equipment for FRNs 1699088198, 1699088201, 1699088203, and 1699088207. In its FCC Form 471, the Beneficiary requested and received a commitment from SLP for Category 2 services and equipment, including requests for “Pacxa Cloudsigma Migration,” “Pacxa – CloudSigma Migration for Linex [sic] Servers,” “Asigra Activation/Setup/Configuration,” “Cloudsigma Activation/Setup/Configuration,” and “Managed services contract of already installed equipment.” In its FCC Form 470, the Beneficiary described the management servers’ purpose as “Caching.” AAD examined the contracts executed with the service provider, DRFortress, and the service provider bills and determined that the services and equipment were for the migration of the Beneficiary’s network servers to the cloud. Specifically, the contracts stated that services provided included

“PACXA – CloudSigma Migration Project for 7 Windows Servers,” “PACXA – CloudSigma Migration Project for 6 Linux Servers,” and services to install, activate, and manage the CloudSigma network.

In the FCC’s E-rate Modernization Order, the Commission eliminated support for servers except for servers that are necessary for the provision of caching.⁸ The Commission also determined that “cloud-based applications that replace equipment that is not E-rate eligible, such as servers,”⁹ are not eligible for SLP support. Because the SLP supported services were for migrating the Beneficiary’s entire network of servers to a cloud hosting solution rather than for the purchase of caching servers, the Beneficiary over-invoiced SLP for ineligible services for a pre-discounted cost of \$69,359, resulting in SLP over-disbursing the discounted cost of \$27,744, as follows.

FRN	Pre-Discounted Cost of Ineligible Services	Beneficiary’s Discount Rate	Discounted Cost of Ineligible Services
1699088198	\$3,600	40%	\$1,440
1699088201	\$34,302	40%	\$13,721
1699088203	\$18,660	40%	\$7,464
1699088207	\$12,797	40%	\$5,119
Total	\$69,359		\$27,744

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing eligible services. In addition, the Beneficiary did not have adequate controls and procedures in place to ensure that only eligible services and equipment are invoiced to SLP. The Beneficiary has limited administrative staff and does not have an individual, other than its consultant, designated to stay abreast of the Rules and ensure complete compliance.

EFFECT

The monetary effect of this Finding is \$27,744. This amount represents the total funds disbursed by SLP for the following FRNs:

FRN	Disbursed Amount
1699088198	\$1,440
1699088201	\$13,721
1699088203	\$7,464
1699088207	\$5,119
Total	\$27,744

⁸ *In the Matter of 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, para. 120, n. 271 (2014).

⁹ *In the Matter of Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Order, 30 FCC Rcd. 9923, para. 19 (2015).

RECOMMENDATION

AAD recommends USAC management seek recovery of \$27,744. The Beneficiary must implement controls and procedures to ensure that SLP is invoiced only for eligible services and equipment. In addition, AAD recommends the Beneficiary visit USAC's website at <https://www.usac.org/sl/applicants/beforeyoubegin/eligible-services-list.aspx> to become familiar with the Eligible Services List and ensure it has designated personnel on staff knowledgeable of the Rules to monitor compliance with the Rules.

BENEFICIARY RESPONSE

We completely disagree with this finding. Considering the audit team extended their audit by 10 months passed the initially promised April 2018 report date, we would like 30 days to gather our documentation and provide a formal response.

AAD RESPONSE

In its response, the Beneficiary states “[c]onsidering the audit team extended their audit by 10 months passed the initially promised April 2018 report date, we would like 30 days to gather our documentation and provide a formal response.” In AAD’s audit announcement letter to the Beneficiary, AAD listed an estimated completion date for the audit as April 2018. However, AAD also noted in the announcement letter that the completion date of the audit depended on the complexities of the audit and other factors such as timely submission of documentation, the condition of the records to be reviewed, unexpected complications and more.

AAD completed the audit fieldwork and provided the Beneficiary with the draft audit findings on February, 6, 2019 and requested the Beneficiary’s response by February 13, 2019. As noted in the Beneficiary’s response, the Beneficiary requested an additional 30 days to provide its response. AAD agreed to extend the due date for the Beneficiary’s response and followed up with the Beneficiary when the response was due. The Beneficiary did not provide a response and requested another extension until June 15, 2019. AAD again agreed to extend the response due date to June 15, 2019. However, as of the date of this audit report, the Beneficiary had not provided any additional documentation.

Finding #3: 47 C.F.R. § 54.520(h) – Failure to Comply with CIPA Requirements - Lack of Public Hearing or Meeting & Lack of Public Notice

CONDITION

AAD requested documentation to determine whether the Beneficiary complied with the Children’s Internet Protection Act (CIPA) requirements for FRNs 1699071307, 1699071340, 1699088201, and 1699088203. The Beneficiary did not provide sufficient documentation demonstrating that a public meeting or hearing was held to discuss the Internet Safety Policy (ISP) and did not have sufficient evidence that reasonable public

notice was provided for a public meeting or hearing.¹⁰ In an effort to demonstrate compliance with the Rules, the Beneficiary provided a newsletter describing an “Internet Safety & Consequences” presentation to the students conducted by a FBI Special Agent. However, this presentation “addressed emerging technologies like Web 2.0 and social networking...” but did not discuss the Beneficiary’s ISP, as required by the Rules.

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 provide documentation demonstrating that a public meeting or hearing was held to discuss the ISP and provided reasonable public notice for the public meeting or hearing, AAD is unable to conclude that the Beneficiary was 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.¹²

CAUSE

The Beneficiary did not have adequate documentation or data retention policies and procedures to ensure that records that demonstrate CIPA compliance were properly retained. In addition, the Beneficiary did not demonstrate sufficient knowledge of the Rules governing the Children’s Internet Protection Act (CIPA). The Beneficiary has limited administrative staff and does not have an individual, other than its consultant, designated to stay abreast of the Rules and ensure complete compliance.

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 FRNs 1699071307, 1699071340, 1699088201, and 1699088203, 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 cured this CIPA violation subsequent to the commencement of the audit by providing evidence that the Beneficiary provided reasonable public notice and held a public meeting to address its ISP on April 2, 2018.

BENEFICIARY RESPONSE

We agree with this finding and have taken the necessary steps to resolve the issue as indicated by holding a public hearing on April 2, 2018.

¹⁰ 47 C.F.R. § 54.516(a)(1) (2015).

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).

Other Matter #1: 47 C.F.R. § 54.503(a) - Inadequate Competitive Bidding Process - Beneficiary did not Intend to Consider Bids

CONDITION

AAD obtained and examined documentation, including the FCC Form 470 *Schools and Libraries Universal Service Description of Services Requested and Certification Form*, to determine whether the Beneficiary conducted a fair and open competitive bidding process for FRNs 1699071307 and 1699071340. In its FCC Form 470, the Beneficiary's request for Internet access services included "Lit Fiber Service" with 500 Mbps minimum capacity and 500 Mbps maximum capacity and "Internet Access: ISP Service Only" with 100 Mbps minimum capacity and 100 Mbps maximum capacity to be utilized in different locations. Although the Beneficiary began the competitive bidding process by submitting a Funding Year 2016 Form 470 for these services, the Beneficiary explained to AAD that it did not intend to evaluate any new bids since it would continue with its incumbent service providers. Specifically, the Beneficiary informed AAD that the Internet access "lines [for FRNs 1699071307 and 1699071340] that are already under contract... were not put out for bid because we have contracts that cannot be broken."¹³ However, because the Beneficiary requested the services in its FCC Form 470 application no. 160029398 for Funding Year 2016, the Beneficiary was required to conduct a fair and open competitive bid process for FRNs 1699071307 and 1699071340.

The Beneficiary provided bids received from bidders in response to its FCC Form 470 for Funding Year 2016. AAD examined the bids and did not identify any bids received for the Internet access services requested for FRNs 1699071307 and 1699071340. The Beneficiary also provided the contracts executed on September 18, 2013 with Hawaiian Telecom for FRN 1699071307 and on February 20, 2014 with TW Telecom for FRN 1699071340. AAD examined the contracts and noted that both contracts were executed with five year terms ending on or after the last day of Funding Year 2016.

Because the Beneficiary did not receive bids in response to the Internet access services for FRNs 1699071307 and 1699071340, the Beneficiary was permitted to continue receiving SLP support for the services received in its pre-existing contracts. However, if the Beneficiary had received bids, by not intending to consider bids received, the Beneficiary was at risk of not performing a fair and open competitive bidding process as required by the Rules.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the competitive bidding process. The Beneficiary did not understand that services requested in the FCC Form 471 from multi-year contracts, executed in a previous funding year that were executed following a fair and open competitive bidding process in accordance with the Rules, should refer to the FCC Form 470 number for the funding year in which the competitive bidding process was performed and the Beneficiary did not have to request the services again on its Funding Year 2016 FCC Form 470.

¹³ Email from Melissa Handy, Director of Education Technology, Le Jardin Academy, sent to AAD (Aug. 20, 2018).

EFFECT

There is no monetary effect associated with this Finding as the Beneficiary did not receive bids in response to the services requested in the FCC Form 470 for FRNs 1699071307 and 1699071340 and was permitted to seek SLP support for services received on its pre-existing multi-year contracts.

RECOMMENDATION

AAD recommends the Beneficiary examine the Rules to familiarize itself with the Rules governing the performance of a fair and open competitive bidding process. In addition, 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 completely disagree with this finding. Considering the audit team extended their audit by 10 months passed the initially promised April 2018 report date, we would like 30 days to gather our documentation and provide a formal response.

AAD RESPONSE

In its response, the Beneficiary states “[c]onsidering the audit team extended their audit by 10 months passed the initially promised April 2018 report date, we would like 30 days to gather our documentation and provide a formal response.” In AAD's audit announcement letter to the Beneficiary, AAD listed an estimated completion date for the audit as April 2018. However, AAD also noted in the announcement letter that the completion date of the audit depended on the complexities of the audit and other factors such as timely submission of documentation, the condition of the records to be reviewed, unexpected complications and more.

AAD completed the audit fieldwork and provided the Beneficiary with the draft audit findings on February, 6, 2019 and requested the Beneficiary's response by February 13, 2019. As noted in the Beneficiary's response, the Beneficiary requested an additional 30 days to provide its response. AAD agreed to extend the due date for the Beneficiary's response and followed up with the Beneficiary when the response was due. The Beneficiary did not provide a response and requested another extension until June 15, 2019. AAD again agreed to extend the response due date to June 15, 2019. However, as of the date of this audit report, the Beneficiary had not provided any additional documentation.

CRITERIA

Finding	Criteria	Description
#1, 3	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.
#1, 3	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.
#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.
#2	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. 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.
#2	<i>In the Matter of Modernizing the E-rate Program for Schools and Libraries</i> , WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd. 8870, para. 120, n. 271 (2014)	We eliminate support for servers except to the extent that we, or the Bureau, determine that certain servers may be necessary for the provision of caching.

#2	<i>In the Matter of Modernizing the E-rate Program for Schools and Libraries</i> , WC Docket No. 13-184, Order, 30 FCC Rcd. 9923, para. 19 (2015)	We emphasize, however, that only virtualized solutions that perform the functions of eligible broadband internal connections are eligible. We therefore decline requests from commenters that we make eligible cloud-based applications that replace equipment that is not E-rate eligible, such as servers.
#3	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.

Other Matter	Criteria	Description
#1	47 C.F.R. § 54.503(a) (2015)	All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.

INFO Item: Audit Released 02/05/20
Attachment C
4/28/20

Attachment C

SL2018BE012

Available for Public Use

*Archdiocese of Chicago Schools
Audit ID: SL2018BE012
(BEN: 135766)*

*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: January 8, 2020

KPMG LLP
200 East Randolph
Suite 5500
Chicago, IL 60601

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

EXECUTIVE SUMMARY

January 8, 2020

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 Archdiocese of Chicago Schools, Billed Entity Number (“BEN”) 135766, (“Archdiocese” or “Beneficiary”), including De La Salle Institute, Fenwick High School, Hales Franciscan High School, Holy Trinity High School, Josephinum Academy, Mother McAuley Liberal Arts High School, Resurrection College Preparatory High School, St. Joseph’s High School – Westchester, St. Patrick’s School – St. Charles and St. Viator High School (collectively “Location Beneficiaries”), for disbursements of \$78,645 and commitments of \$204,805, 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 March 12, 2019 to January 8, 2020, and our results are as of January 8, 2020.

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 \$204,805 and disbursements of \$78,645 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 four 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 \$15,485 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 January 8, 2020.



This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary including the Location Beneficiaries, 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
Archdiocese	Archdiocese of Chicago Schools
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
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
Location Beneficiaries	The schools participating in the Archdiocese consortium that were selected for audit based on our FRN samples; De La Salle Institute, Fenwick High School, Hales Franciscan High School, Holy Trinity High School, Josephinum Academy, Mother McAuley Liberal Arts High School, Resurrection College Preparatory High School, St. Joseph’s High School – Westchester, St. Patrick’s School – St. Charles and St. Viator High School.
Location Beneficiary	Individual school participating in the Archdiocese consortium (from the list of Location Beneficiaries above)
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Overlapping Recovery	Recommended Recovery
<u>SL2018BE012-F01: Beneficiary Did Not Conduct a Fair and Open Competitive Bidding Process</u> – The level of Internet service requested in the FCC Form 470 was not accurate due to a change in circumstances at the Location Beneficiary. This limited the competitive bidding process as some potential bidders may not have bid on the services based on what was requested in the FCC Form 470.	\$ 12,038	\$ 0	\$ 12,038
<u>SL2018BE012-F02: Equipment Not Installed by the Required Deadline</u> – The equipment purchased through E-rate Program funding for Resurrection College Preparatory was not installed by September 30, 2018.	\$ 3,447	\$ 0	\$ 3,447
<u>SL2018BE012-F03: Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471</u> – The documentation provided to substantiate the student counts and NSLP counts does not support the counts listed on FCC Form 471 for De La Salle Institute.	\$ 1,204	\$ 1,204*	\$ 0
<u>SL2018BE012-F04: Failure to Comply with CIPA Requirements - Beneficiary Did Not Collect FCC Forms 479 from Consortium Members or Provide Evidence of Public Meeting</u> – The Archdiocese of Chicago Schools did not collect the FCC Forms 479 from each member of the consortium in order to certify CIPA compliance. Additionally, certain Location Beneficiaries failed to provide adequate evidence of holding a public meeting to discuss the Internet Safety Policy.	\$ 0	\$ 0	\$ 0
Total Net Monetary Effect	\$ 16,689	\$ 1,204	\$ 15,485

*The Monetary Effect of \$1,204 in Finding 3 overlaps with the Monetary Effect of \$12,038 in Finding 1, therefore the Recommended Recovery for Finding 3 is \$0.

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. During the recovery review process, if there are other FRNs that fall under these findings there may 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 offers an applicant training course on competitive bidding that was delivered in the 2018 fall applicant training series available at (https://www.usac.org/_res/video/sl/10-comp-bidding/index.html). In addition, USAC directs the Beneficiary to USAC’s website for guidance on Competitive Bidding available at (<https://www.usac.org/sl/applicants/step01/default.aspx>).

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.

USAC also offers information about eligibility requirements and calculating E-rate discounts available in the presentation entitled “Basic Concepts” at (<https://www.usac.org/sl/about/outreach/2018-training.aspx>) and on the USAC website at (<https://www.usac.org/sl/applicants/step03/discounts.aspx>).

In addition, USAC directs the Beneficiary to USAC’s website 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
1799028292	\$13,242
1799025574	\$3,447
Total	\$16,689

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 \$204,805 and disbursements of \$78,645 made for Funding Year 2017.

Beneficiary Overview

The Archdiocese of Chicago Schools (BEN# 135766) is a school system located in Chicago, Illinois that serves over 78,000 students in 217 schools, including 180 Archdiocesan-sponsored schools. For the purposes of E-rate filing, the Archdiocese is a loosely formed consortium that enables participating Location Beneficiaries to obtain better pricing on E-rate equipment and services by purchasing these items and/or services at consortium-negotiated rates. Beyond competitive bidding, the Location Beneficiaries manage their reimbursement requests and E-rate compliance independently.

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
Data Transmission and/or Internet Access	\$145,756	\$75,198
Voice Services	\$ 2,182	\$ 0
Internal Connections	\$ 42,755	\$ 3,447
Basic Maintenance of Internal Connections	\$ 14,112	\$ 0
Total	\$204,805	\$78,645

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 21 FCC Form 471 applications with 36 FRNs. We selected 17 FRNs, which represent \$166,571 of the funds committed and \$61,864 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 four of the 17 FRNs were cancelled via FCC Form 500, and therefore we did not test those FRNs, which represented \$66,536 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 \$204,805 and disbursements of \$78,645 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 and Location Beneficiaries' 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 related Location Beneficiaries 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, as well as the individual Location Beneficiaries' processes, relating to the application and use of E-rate Program funds. Specifically, for the FRNs audited, we examined documentation to support the 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 as a consortium. We also obtained and evaluated the Internet Safety Policy for each Location Beneficiary and obtained an understanding of the process by which these locations 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 and Beneficiary Locations 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 each Location 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 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 each Location Beneficiary paid its non-discounted share in a timely manner.

5. Site Visits

For the FRNs audited for which internal connections were received, 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 specific Location Beneficiaries who had received equipment 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 Location Beneficiaries 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 each Location Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the SPI forms for services and equipment provided to each Location Beneficiary. We verified that the services and equipment claimed on the SPI forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

7. Record Keeping

We determined whether the Beneficiary's and each Location Beneficiary's record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether each Location 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 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 the Beneficiary’s and/or Location 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 four findings. The findings, including the condition, cause, effect, recommendation, and Beneficiary response are as follows:

Finding No.	<u>SL2018BE012-F01: Beneficiary Did Not Conduct a Fair and Open Competitive Bidding Process</u>
Condition	<p>Location Beneficiary De La Salle Institute requested Internet Access with 50Mbps on FCC Form 470 and evaluated bids for the provision of this level of service at approximately \$900 per month. However, De La Salle Institute ultimately contracted with the Service Provider for a different level of service (250 Mbps) that was not considered in the bid evaluation. De La Salle Institute indicated on FCC Form 471 No. 171014794 that the Internet Access service selected was 250 Mbps, and they subsequently received 250 Mbps of Internet speed at approximately \$1,600 per month from the Service Provider under FRN 1799028292.</p> <p>The incorrect Internet speed requested on the FCC Form 470 limited the bidding process as some potential bidders may not have bid on the services.</p>
Cause	De La Salle Institute had a change in circumstances and failed to conduct an updated competitive bidding process in order to re-evaluate Service Provider bids in light of the new level of service needed.
Effect	The monetary effect of this finding is \$12,038, which represents disbursed funds for FRN 1799028292.
Recommendation	De La Salle Institute should enhance review procedures to ensure that services and/or equipment requested, evaluated and received are consistent to allow for a fair and open competitive bidding process.
Beneficiary Response	After our initial request to expand our bandwidth to 50Mbps the School's Board of Directors decided to merge the two campuses and the 50Mbps would not be enough internet access for all students. The School had to increase the bandwidth to 250Mbps. The lowest bidder for the 50Mbps was ATT at \$888 versus ICN at \$1,137 and Clear Rate at \$1,229. At 250 Mbps ATT was \$1,603 and ICN was \$2,092. So we decided to go with the lowest cost bid which was ATT. Unfortunately these changes happened over a short period of time and we had to increase the bandwidth to 250Mbps for student access and we did go with the lowest bid.
KPMG Response	KPMG acknowledges the change in circumstances described by the Location Beneficiary and noted that the Location Beneficiary selected the lowest rate for the 250 Mbps Internet speed based on the bids already received for 50 Mbps. However, the request for 50 Mbps in the FCC Form 470 may have limited potential bidders

who would have submitted a bid if the updated Internet speed of 250 Mbps was requested.

Finding No. **SL2018BE012-F02: SLP Funded Equipment Not Installed by the Required Deadline**

Condition Location Beneficiary Resurrection College Preparatory did not install equipment purchased under FRN 1799025574 by the required deadline of September 30, 2018 and did not file a Service Delivery Extension request via FCC Form 500.

Resurrection College Preparatory subsequently provided a photo detailing that the racks had been installed after our site visit the week of April 29, 2019, however, it was unable to demonstrate the UPS Battery Backups and external battery packs were installed and in use as of the date of this report.

Refer to the table below for the list of equipment.

Ref	Equipment	Quantity	Unit Cost	Total Cost (A x B)
1	APC Smart UPS X 3000VA RT 100-127V	3	\$1,644	\$4,932
2	APC Smart UPS X120V EXT BAT PK	3	\$699	\$2,097
3	Tripp Lite 42U Rack Enclosure	2	\$795	\$1,590

Cause Resurrection College Preparatory delayed installation in order to avoid interrupting the school network during the school year.

Effect The monetary effect of this finding is \$3,447, which represents disbursed funds for FRN 1799025574.

Recommendation Resurrection College Preparatory should monitor the installation status of E-rate funded equipment to verify equipment is installed by the September 30 deadline following each Funding Year and, if needed, submit a Service Delivery Deadline Extension request by that date for additional time to complete the installation.

Beneficiary Response KPMG performed an audit on FRN 1799025574 and determined that the equipment listed on the FRN was not installed in a timely manner, namely, by September 30, 2018. However, we knew that we would not be able to purchase the items listed on FRN 1799025574 within the time frame covered by this FRN due to budgetary restraints. Consequently, we requested them again on FRN 1899050510.

It is under FRN 1899050510 that the order should have been placed with CDW-G in July 2018. We were invoiced for these items on July 20, 2018 under Invoice No. NLR0204. FY18 covers the time period of July 1, 2018 to June 30, 2019. This order fell under this time-frame.

Since these items were purchased under FRN 1899050510 and not FRN 1799025574, the installation deadline would be September 30, 2019 which we met.

KPMG Response As noted above, reimbursement for the equipment was requested and received under FY2017 FRN 1799025574, and therefore the installation deadline of September 30, 2018 applies. If Resurrection College Prep High School requested the equipment again in FY2018, they can pursue options to request reimbursement under that new

FRN. This does not change the fact the disbursement under the FY2017 FRN is invalid based on noncompliance with the September 30, 2018 installation deadline.

Finding No. **SL2018BE012-F03: Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471**

Condition The data provided in order to substantiate the total student and NSLP counts for Location Beneficiary De La Salle Institute did not match the data reported on FCC Form 471. This discrepancy resulted in the Location Beneficiary receiving a higher discount than they otherwise would have received. The counts reported on FCC Form 471 No. 171014794 indicated a discount percentage of 60%, where the documentation provided supported a discount percentage of 50%. Refer to the tables below for detail.

Table 1

Total Student Count per FCC Form 471 (A)	Total Student Count per Third Party Documentation (B)	Student Count Variance	NSLP Student Count per FCC Form 471 (C)	NSLP Student Count per Third Party Documentation (D)	NSLP Count Variance
996	906	90	412	217	195

Table 2

Original NSLP % (C) / (A)	Original Discount %	Recalculated NSLP % (D) / (B)	Updated Discount %
41%	60%	24%	50%

Cause De La Salle Institute did not retain sufficient documentation to support its FCC Form 471 total student and NSLP counts.

Effect The monetary effect of this finding is \$1,204, which represents the \$12,038 in funds disbursed under FRN 1799028292 multiplied by 10 percent, the difference between the original discount rate of 60 percent used by the Beneficiary and the recalculated discount rate of 50 percent.

Recommendation De La Salle Institute should enhance document retention procedures to maintain documentation directly supporting the total student and NSLP counts submitted on FCC Form 471.

Beneficiary Response *De La Salle Institute:* “I am attaching reports from FACTS Grant & Aid (our third-party provider for financial aid applications) for school year 17-18 and 18-19. We asked FACTS to provide us with a report that shows families that qualify for the federal free and reduced lunch programs - these reports are new. The report for 17-18 shows that 35.4% of the families who apply qualify for the reduced lunch program and in school year 18-19 - 35.8% qualified. Although the 2017-2018 documentation does not include the entire student population of 906 students, the sample size (762) is large enough that the 35.4% eligibility can be extrapolated to

the entire student population. There is a consistent proportion of students who do not use FACTS and are NSLP eligible.

KPMG Response As the discount calculation is based on actual counts and not an extrapolation, KPMG used the student counts noted in the documentation provided during the course of the audit.

Finding No. **SL2018BE012-F04: Failure to Comply with CIPA Requirements – Beneficiary Did Not Collect FCC Forms 479 from Consortium Members or Provide Evidence of Public Meeting**

Condition The Archdiocese of Chicago Schools, the consortium lead, did not collect the FCC Forms 479 from the consortium members in order to certify CIPA compliance.

KPMG subsequently reviewed the individual compliance of each Location Beneficiary and noted Fenwick High School, St. Patrick School – St. Charles, Josephinum Academy, Mother McAuley Liberal Arts High School and Resurrection College Preparatory High School failed to provide adequate evidence of holding a public meeting for CIPA.

Cause The Beneficiary was not aware of the requirement to collect FCC Forms 479 when filing as a consortium.

Effect There is no monetary effect for this finding as the Rules indicate the Beneficiary has the opportunity to cure a CIPA violation, however if the Beneficiary does not cure the violation as required by the Rules, the affected FRNs may be subject to recovery.

Recommendation According to the Rules, the Beneficiary must cure a CIPA violation to reestablish eligibility. The timeframe to cure this violation is specified by USAC once the performance audit report is released. KPMG recommends that the Beneficiary collect FCC Forms 479 from each Location Beneficiary within the consortium and also verify that each Location Beneficiary has held and documented a public meeting to discuss CIPA. KPMG further recommends that the Beneficiary and Location Beneficiaries enhance their understanding and review procedures around CIPA compliance to ensure that all requirements are met and appropriate documentation retained.

Beneficiary Response **Resource Renewal Project, LLP (consultant) response to the first sentence of the condition**

In FY2017, Resource Renewal Project, LLC, an affiliate of Coleman Group Consulting (“RRP”), acted as the E-rate consultant to the Archdiocese of Chicago Schools E-rate consortium. The consortium comprised the Catholic Bishop of Chicago school district as well as a number of independent Catholic schools, among them the Location Beneficiaries which are the subject of this report. The Catholic Bishop of Chicago school district was the consortium lead, and sought bids and signed contracts with E-rate suppliers on behalf of the consortium.

RRP obtained the following documents from consortium members: (1) from the Catholic Bishop of Chicago school district a FCC Form 479 in which the Office of Catholic Schools, the district’s administrative authority, certified CIPA compliance to the consortium for the schools within the district; and (2) for each independent Catholic school a letter of agency (“LOA”) which gave RRP authority to make filings and CIPA certify on their behalf.

RRP filed a FCC Form 471 for the consortium. This Form 471 included funding requests (“FRNs”) for each individual school, both those within the Catholic Bishop of Chicago school district and the independent Catholic schools. It was RRP’s intent to CIPA certify on each FCC Form 486 for the independent schools. RRP believed that it would be able to CIPA certify on behalf the independent Catholic schools on each independent school’s Forms 486 based on (1) each independent school’s having certified their CIPA compliance to RRP in writing, (2) consistent with past practice in the legacy FCC Form 486 online system which allowed CIPA certification in that manner; and (3) instructions on USAC’s website which indicate that when the administrative authority and BEN are one in the same, that CIPA certification can be made on the Form 486, and (4) an email from USAC dated 2/23/16 in which USAC recommended submitting a FRN under each school’s individual billed entity number on a single FCC Form 471, followed by FCC Forms 486 for the individual school’s FRN(s) without making mention of the potential individual CIPA certification issue nor the need to collect FCC Forms 479, which would have avoided the issue KPMG reports on in the fourth finding of its report. However, when RRP attempted to individually CIPA certify on the relevant Form 486, the form was pre-populated, apparently based on CIPA certifications that had been made on the FCC Form 471.

KPMG reports that the consortium lead is required to collect FCC Forms 479 from each consortium member. RRP respectfully submits that the signed LOAs provided to it by the independent Catholic schools in which those schools made CIPA certifications, have the same force and effect as the FCC Form 479. From this point forward, if the Catholic schools in the Archdiocese continue to file as a consortium, and if RRP is retained as the consultant to that consortium, RRP will obtain signed FCC Forms 479 from each consortium member. Please find the following attached:

1. Copies of the letters of agency from the independent Catholic schools in which they CIPA certified to RRP
2. Copy of an email from USAC dated 2/23/16

Individual Location Beneficiary responses to the second sentence of the condition

Fenwick High School

Meetings were held with the Mothers’ Club at the beginning of the school year. We don’t have any documentation to prove that.

The Freshman Coffee meeting notes were not intended to be a written verbatim record. We do talk about the Firewall and the Internet Safety Policy at that meeting.

St. Patrick School – St. Charles

We do have substantial components in place in our elementary school building to ensure student safety on the internet (Lightspeed filtering, Barracuda, Gaggle etc.).

We do have our parents and students sign our acceptable use policy, which is also published in our parent student handbook.

Our Librarian/Technology staff teaches digital citizenship to our students.

We did not have the Kane County judges present CIPA at a public meeting during the 2017-2018 school year. It was our understanding that this requirement applied to every other year, and they had previously presented during school year 2016-2017.

During 2017-18, AUP forms explaining CIPA were required signed by every parent but there was no other public meeting.

We conducted a parent meeting this school year in January 2019 (Kane County judges presented). We are waiting for confirmation documentation from those judges to provide to you.

Josephinum Academy

Each year there are two public meeting where Josephinum Academy's Internet Safety Policy and Technology Protection Measure are discussed. The names of the public meetings, as well as the most recent 3 dates of those meetings (including the meetings that took place during the 2017-2018 School Year) are as follows:

- Back to School Night (Grades 9-12): 9/14/2017, 9/13/2018, and (upcoming) 9/12/2019
- New Family Orientation (Grade 9): 6/7/2017, 6/6/2018, and 6/5/2019

During these meetings a Technology Presentation is provided, fulfilling the Public Meeting requirement of the Children's Internet Protection Act.

In addition to these two meetings, Freshman students have a class every other day during the 9th grade school year called the Academy class. In some of those classes students learn the specific components of CIPA, such as the following:

- Which websites are acceptable to navigate to
- Which websites (e.g. Social Media sites) are not acceptable to navigate to
- How the Firewall will respond if a student attempts to navigate to a restricted website
- Basic Internet Safety
- Digital Citizenship
- Appropriate Email Composition

Please note: This documentation was not submitted within the initial time window provided due to a concurrent change in administration. We contacted prior administration and searched through the history of the Josephinum Academy School Calendar to obtain this information.

Mother McAuley Liberal Arts High School

Public meetings are not feasible in a high school setting. We do not have the parking capacity to invite all families for any purpose. We feel that including this in our handbook and having the parents acknowledge by signing is sufficient.

Resurrection High School

Resurrection College Prep High School requires all students to have Chromebooks which are purchased through the school. These are distributed to incoming freshmen on orientation days when the school's policies regarding internet usage are explained. A meeting is held at the beginning of the school year for the parents of freshmen and transfer students at which the school's policies regarding internet usage are explained to them. These policies are also stated in the Student Handbook.

KPMG Response

KPMG received the Letters of Agency described above at the end of the audit and did note that each school except St. Joseph High School checked the box to indicate "My school has complied with the requirements of the Children's Internet Protection Act, as codified at 47 U.S.C. 254(h) and (l) ("CIPA")." However, the requirement for a consortium is to collect FCC Forms 479 from all participating

members, and this is also what the Archdiocese of Chicago Schools indicated on the FCC Form 486.

Regarding the responses from the individual schools above, it is important to note a public meeting is not limited to parents, new students or transfer students. Public notice does not require a direct invitation and can instead be in the form of a newspaper add or post on the school website for example. The USAC website (<https://www.usac.org/sl/applicants/step05/cipa.aspx>) specifies: “For private schools, public notice means notice to their appropriate constituent group.” A requirement for the public meeting, which does not have to occur more than once, is that the proposed Internet Safety Policy is discussed.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.503(a) (2016)	“All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.”
#1	47 C.F.R. § 54.503(c)(2)(ii)(B) (2016)	“(ii) A person authorized to both request bids and order services on behalf of the entities listed on an FCC Form 470 shall, in addition to making the certifications listed in paragraph (c)(2)(i) of this section, certify under oath that: (B) All bids submitted for eligible products and services will be carefully considered, with price being the primary factor, and the bid selected will be for the most cost-effective service offering consistent with §54.511.”
#2	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.”
#2	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

Finding	Criteria	Description
		FRN, and certify by checking off the reason you are requesting the service delivery deadline extension. Note that the applicant must request an extension on or before the September 30 deadline. Granting an extension will not increase funding.”
#3	47 C.F.R. § 54.505 (b) and (b)(1) (2016)	<p>“(b) <i>Discount percentages.</i> The discounts available to eligible schools and libraries shall range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers, as defined in this subpart. The discounts available to a particular school, library, or consortium of only such entities shall be determined by indicators of poverty and high cost.</p> <p>(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.”</p>
#4	47 C.F.R. § 54.516(a)(1) (2016)	“(a) <i>Recordkeeping requirements</i> —(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. 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.”
#4	47 C.F.R. § 54.520 (c) (2016)	“Certifications required under 47 U.S.C. 254(h) and (l)—(1) Schools. 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.”

Finding	Criteria	Description
	47 C.F.R. § 54.520 (d) 3 (2016)	“ <i>Reestablishing eligibility.</i> At any time, a school or library deemed ineligible for discount services under the federal universal service support mechanism for schools and libraries because of failure to submit certifications required by this section, may reestablish eligibility for discounts by providing the required certifications to the Administrator and the Commission.”
#4	47 C.F.R. § 54.520 (h) (2016)	“ <i>Public notice; hearing or meeting.</i> 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 four findings: Beneficiary Did Not Conduct a Fair and Open Competitive Bidding Process, Equipment Not Installed by the Required Deadline, Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471, and Failure to Comply with CIPA Requirements - Beneficiary Did Not Collect FCC Forms 479 from Consortium Members or Provide Evidence of Public Meeting. 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	Overlapping Recovery	Recommended Recovery
Data Transmission Services and Internet Access	\$ 13,242	\$1,204	\$ 12,038
Internal Connections	\$ 3,447	\$ 0	\$ 3,447
Total Impact	\$ 16,689	\$1,204	\$ 15,485

KPMG recommends that De La Salle Institute enhance review procedures to ensure that services and/or equipment requested, evaluated and received are consistent to allow for a fair and open competitive bidding process. De La Salle Institute should also enhance document retention procedures to maintain documentation directly supporting the total student and NSLP counts submitted on FCC Form 471.

KPMG recommends that Resurrection College Preparatory monitor the installation status of E-rate funded equipment to verify equipment is installed by the September 30 deadline following each Funding Year and, if needed, submit a Service Delivery Deadline Extension request by that date for additional time to complete the installation.

KPMG recommends that all Location Beneficiaries enhance document retention procedures to maintain documentation directly supporting the total student and NSLP counts submitted on FCC Form 471.

KPMG recommends that the Beneficiary collect the FCC Forms 479 from all Location Beneficiaries included in the consortium and also verify that all Location Beneficiaries understand and have completed and documented the required public meeting to discuss CIPA. Additionally, the Beneficiary and Location Beneficiaries should enhance their understanding and review procedures around CIPA compliance to ensure all requirements are met and appropriate documentation retained.