



Schools and Libraries

Audit Reports Briefing Book

Monday, October 26, 2020

Universal Service Administrative Company Offices

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

Washington, DC 20005

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: July 1, 2020 & August 5, 2020

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Bristol Local School District Attachment A	0	<ul style="list-style-type: none"> Not Applicable. 	\$31,164	\$0	\$0	\$0	N
Gibson County Special School District Attachment B	0	<ul style="list-style-type: none"> Not Applicable. 	\$239,361	\$0	\$0	\$0	N
North Carolina Office of Information Technology Services Attachment C	2	<ul style="list-style-type: none"> <u>Insufficient Documentation – Beneficiary Over-Invoiced SLP for Amounts Not Reconciled to the Service Provider Bills.</u> The Beneficiary did not provide a reconciliation demonstrating that the amounts the Beneficiary invoiced to the schools, school districts, libraries, and library systems represent the eligible services delivered by the service providers and that the amounts invoiced to SLP were only for eligible services billed by the service providers. 	\$804,914	\$284,587	\$243,038	\$41,549	Y

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Northside Independent School District Attachment D	0	• Not Applicable.	\$0	\$0	\$0	\$0	N
Orange County School District Attachment E	0	• Not Applicable.	\$4,440,926	\$0	\$0	\$0	N
Prince George's County Schools Attachment F	0	• Not Applicable.	\$1,585,488	\$0	\$0	\$0	N
Puerto Rico Department of Education Attachment G	0	• Not Applicable.	\$0	\$0	\$0	\$0	N
Shelby County School District Attachment H	0	• Not Applicable.	\$3,240,952	\$0	\$0	\$0	N
The School Board of Broward County Attachment I	0	• Not Applicable.	\$3,426,001	\$0	\$0	\$0	N
Total	2		\$13,768,806	\$284,587	\$243,038	\$41,549	

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

Attachment A
SL2019BE036

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

BRISTOL LOCAL SCHOOL DISTRICT

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES**

USAC AUDIT No. SL2019BE036



Cotton & Company LLP
635 Slaters Lane
Alexandria, Virginia 22314
703.836.6701, phone
703.836.0941, fax
www.cottoncpa.com

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Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

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BRISTOL LOCAL SCHOOL DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES**

Executive Summary

July 29, 2020

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Bristol Local School District (Beneficiary), Billed Entity Number (BEN) 129580, using regulations and orders governing the federal Universal Service Schools and Libraries Program (SLP), 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 Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). 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 the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, 2) data used to calculate the discount percentage and the type and amount of services received, and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with the Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed no audit findings. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with 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 accepted responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results and Recovery Action

Based on the test work performed, our examination disclosed no audit findings.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the Rules for Funding Year 2017. The Beneficiary is a school district located in Bristolville, Ohio that serves approximately 560 students.

The following chart summarizes the SLP support amounts committed and disbursed to the Beneficiary for Funding Year 2017 as of January 7, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Voice	\$682	\$392
Data Transmission and/or Internet Access	\$23,310	\$11,655
Internal Connections	\$8,048	\$7,488
Managed Internal Broadband Services	<u>\$11,629</u>	<u>\$11,629</u>
Total	<u>\$43,669</u>	<u>\$31,164</u>

The “amount committed” total represents two FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for Funding Year 2017 that resulted in five Funding Request Numbers (FRNs). We selected a sample of four of the FRNs, which represent \$43,394 of the funds committed and \$31,164 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the SLP. Specifically, to determine if the Beneficiary used the funding in accordance with the Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We performed inquiries 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 it requested funding. We also conducted inquiries to obtain an understanding of the process

the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services and goods in selecting the service provider. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC’s website before signing contracts or executing month-to-month agreements with the selected service providers. In addition, we evaluated the cost-effectiveness of the equipment and services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment 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. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Virtual Site Visit

We performed a physical inventory through a virtual site visit to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary was using the funding in an effective manner.

E. Reimbursement Process

We obtained and examined equipment and service invoices that the Beneficiary and service providers submitted to USAC for reimbursement and performed procedures to determine whether the the Beneficiary and service providers had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR and SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services 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 were eligible in accordance with the SLP Eligible Services List.

COTTON & COMPANY LLP



Michael W. Gillespie, CPA, CFE
Partner

Attachment B
SL2019BE038

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

GIBSON COUNTY SPECIAL SCHOOL DISTRICT

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES**

USAC AUDIT No. SL2019BE038



Cotton & Company LLP
635 Slaters Lane
Alexandria, Virginia 22314
703.836.6701, phone
703.836.0941, fax
www.cottoncpa.com

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Cotton & Company LLP
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P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

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GIBSON COUNTY SPECIAL SCHOOL DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES

Executive Summary

June 25, 2020

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

Dear Ms. Delmar:

Cotton & Company LLP (referred to as “we”) audited the compliance of Gibson County Special School District (Beneficiary), Billed Entity Number (BEN) 128472, using regulations and orders governing the federal Universal Service Schools and Libraries Program (SLP), 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 Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with the Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). 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 the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, 2) data used to calculate the discount percentage and the type and amount of services received, and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with the Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed no audit findings. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with 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 accepted responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

Audit Results and Recovery Action

Based on the test work performed, our examination disclosed no findings.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the Rules for Funding Year 2017. The Beneficiary is a public school district located in Dyer, Tennessee that serves more than 4,500 students.

The following chart summarizes the SLP support amounts committed and disbursed to the Beneficiary for Funding Year 2017 as of January 30, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$51,042	\$51,042
Data Transmission and/or Internet Access	\$187,464	\$187,078
Voice	\$2,906	\$1,241
Total	<u>\$241,412</u>	<u>\$239,361</u>

The “amount committed” total represents two FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for Funding Year 2017 that resulted in ten Funding Request Numbers (FRNs). We selected a sample of three of the FRNs, which represent \$115,506 of the funds committed and \$114,042 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the SLP. Specifically, to determine if the Beneficiary used the funding in accordance with the Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We performed inquiries and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services and goods in selecting the service provider. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. In addition, we evaluated the cost-effectiveness of the equipment and services requested and purchased.

C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment 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. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Site Visit

We performed a physical inventory to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary was using the funding in an effective manner.

E. Reimbursement Process

We obtained and examined equipment and service invoices that the Beneficiary and service providers submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary and service providers had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR and SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services 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 were eligible in accordance with the SLP Eligible Services List.

COTTON & COMPANY LLP



Michael W. Gillespie, CPA, CFE
Partner
Alexandria, VA

Attachment C
SL2016LR001

North Carolina Office of Information Technology Services

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2016LR001

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Available For Public Use

EXECUTIVE SUMMARY

August 5, 2020

Mark Newsome, Chief Financial Officer
North Carolina Department of Information Technology (f/k/a Office of Information Technology Services)
PO Box 17209
Raleigh, NC 27619

Dear Mr. Newsome:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of North Carolina Office of Information Technology Services (Beneficiary), Billed Entity Number (BEN) 162994, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed two detailed audit findings (Findings) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the Federal Communications Commission (FCC) and should not be used by those who have not agreed to the procedures and taken responsibility for the

sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by you and your staff during the audit.

Sincerely,



Teleshia Delmar

USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer

Craig Davis, USAC Vice President, Schools and Libraries Division

Audit Results and Commitment Adjustment/Recovery Action

Audit Results	Monetary Effect (A)	Overlapping Recovery ¹ (B)	Recommended Recovery (A) - (B)	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. § 54.516(a)(1) – Insufficient Documentation – Beneficiary Over-Invoiced SLP for Amounts Not Reconciled to the Service Provider Bills. The Beneficiary was unable to provide a reconciliation in which the pre-discounted amounts included on the BEAR forms agree to the pre-discounted amounts billed to the Beneficiary by the service provider.	\$243,038	\$0	\$243,038	\$0
Finding #2: 47 C.F.R. § 54.503(a) – Beneficiary’s Member Entity Did Not Conduct a Fair and Open Competitive Bidding Process. The Beneficiary informed AAD that a bid evaluation was not memorialized because only one service provider from the state master contract (SMC) could provide the requested services; however, the Beneficiary did not provide documentation demonstrating only one of the service providers from the SMC could service its location.	\$41,549	\$31,829	\$0	\$41,549
Total Net Monetary Effect	\$284,587	\$31,829	\$243,038	\$41,549

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 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/invoicing/>
- <https://www.usac.org/e-rate/trainings/bear-training-site/>
- https://www.usac.org/video/sl/2019/invoicing/story_html5.html
- <https://www.usac.org/e-rate/applicant-process/competitive-bidding/>
- <https://www.usac.org/video/sl/10-comp-bidding/index.html>

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
2777490	\$45,370	
2781026	\$31,126	
2805059	\$41,124	
2828140	\$7,373	
2848566	\$31,829	\$41,549
2849135	\$33,578	
2854753	\$52,638	
Total	\$243,038	\$41,549

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 2015 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$17,124	\$4,219
Telecommunications Services	\$216	\$0
Voice Services	\$1,453,195	\$800,695
Total	\$1,470,535	\$804,914

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

The committed total represents 82 FCC Form 471 applications with 194 Funding Request Numbers (FRNs). AAD selected 10 FRNs,² which represent \$363,979 of the funds committed and \$278,760 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2015 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a government agency that provides information technology services to state agencies, local governments, and educational institutions across North Carolina and administers the submission of SLP applications on behalf of educational institutions, including libraries, across the state. The Beneficiary's headquarters are located in Raleigh, North Carolina.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's and the Beneficiary's member entities' 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's member entities were 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's member entities used to calculate their discount

² The FRNs included in the scope of this audit were: 2734220, 2777490, 2781026, 2805059, 2827903, 2828140, 2848566, 2849135, 2854753, and 2867365.

percentages and validated its accuracy.

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

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether the Beneficiary's member entities properly selected a service provider that provided eligible services and price of the eligible services was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers. AAD examined the service provider contracts to determine whether they were properly executed.

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

D. Beneficiary Location

AAD used inquiry and inspection of documentation to determine whether the services were located in eligible facilities and utilized in accordance with the Rules. AAD evaluated whether the Beneficiary's member entities had the necessary resources to support the services for which funding was requested. AAD also evaluated the services purchased by the Beneficiary for cost effectiveness to determine whether funding was used in an effective manner

E. Reimbursement Process

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

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.516(a)(1) – Insufficient Documentation – Beneficiary Over-Invoiced SLP for Amounts Not Reconciled to the Service Provider Bills

CONDITION

AAD examined documentation, including the FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) forms and the corresponding service provider bills provided by the Beneficiary, to determine whether the Beneficiary invoiced SLP only for eligible services requested and approved for FRNs 2734220, 2777490, 2781026, 2805059, 2827903, 2828140, 2848566, 2849135, and 2854753. The Beneficiary provided AAD copies of documents the Beneficiary referred to as invoices that the Beneficiary sent to the schools, school districts, libraries, and library systems sampled by AAD as part of the audit to collect their non-discounted portion of the SLP supported services for the FRNs identified above. In addition, the Beneficiary provided AAD a copy of a document the Beneficiary received from AT&T Corp. that the Beneficiary referred to as a bill for the services received for FRN 2777490 as an example of documentation it receives from service providers. However, the Beneficiary did not provide a reconciliation demonstrating that the amounts the Beneficiary invoiced to the schools, school districts, libraries, and library systems represent the eligible services delivered by the service providers and that the amounts invoiced to SLP were only for eligible services billed by the service providers.

The Beneficiary is a government agency that provides or oversees the procurement of IT services to state agencies, local governments, and educational institutions across North Carolina and oversees the process for submitting invoices to SLP. The Beneficiary executed contracts with multiple service providers to provide telecommunications-related services across North Carolina and the service providers bill the Beneficiary for the services delivered to the locations across the state. The Beneficiary informed AAD that “the bill does not necessarily identify the specific school, but the bill contains [phone] lines [and the Beneficiary] is able to use the lines to then determine which school/school district the cost should be allocated to.”³ The Beneficiary also informed AAD that “[t]here is a massive spreadsheet in which [the Beneficiary] may be able to see the allocation/breakdown by lines.”⁴ The Beneficiary provided AAD with the documents the Beneficiary sent to the schools, school districts, libraries, and library systems to collect their non-discounted portion and a spreadsheet provided by the service provider to support one of the BEAR forms. However, the spreadsheet does not identify the amounts charged for the phone lines and, therefore, AAD is unable to reconcile the spreadsheet to the amounts submitted on the BEAR form nor is AAD able to reconcile the amounts on the Beneficiary’s invoices to the schools, school districts, libraries, and library systems to the amounts billed on the service provider bills:⁵

³ See memorandum attached to email from Judy King, North Carolina Department of Information Technology Accounting Manager, to AAD (Nov. 15, 2016).

⁴ *Id.*

⁵ See *FCC Form 472 Billed Entity Applicant Reimbursement Form*, OMB 3060-0856, Jul. 2013, Block 3, at 3.

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 the Beneficiary was unable to provide a reconciliation in which the pre-discounted amounts included on the BEAR forms agree to the pre-discounted amounts billed to the Beneficiary by the service provider, AAD is unable to conclude whether the amounts invoiced to SLP are supported only by eligible services delivered and billed by the service provider.

CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure the retention of accurate documentation to support amounts invoiced to SLP. The individual that was responsible for the Beneficiary’s BEAR reconciliation process retired and the Beneficiary did not demonstrate another individual had obtained adequate knowledge of the process nor demonstrate a formal policy was in place to ensure accurate reconciliations were prepared and comprehended to support amounts invoiced to SLP.

EFFECT

The monetary effect of this finding is \$293,949. This amount represents the total amount disbursed by SLP, as follows.

FRN	Entity Name	Disbursed Amount
2734220	Sandhill Regional Library System	\$5,625
2777490	Buncombe County School	\$45,370
2781026	Haywood County Schools	\$31,126
2805059	Henderson County School District	\$41,124
2827903	Robeson County Schools	\$45,286
2828140	Governor Morehead School	\$7,373
2848566	Burke County Public Schools	\$31,829
2849135	Rutherford County Schools	\$33,578
2854753	Wayne County Schools	\$52,638
Total		\$293,949⁷

⁶ 47 C.F.R. § 54.702(n) (2014). 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 Amounts differ from the amounts identified as disbursed as of the date of the commencement of the audit because the amounts represent the total funds disbursed by SLP as of the date of this audit report.

RECOMMENDATION

AAD recommends USAC management seek recovery of \$293,949. The Beneficiary must implement controls and procedures to ensure SLP is invoiced only for eligible services that are billed and received from the service provider. The Beneficiary also must implement controls and procedures to ensure it retains adequate records related to the application for, receipt, and delivery of discounted telecommunications and other supported services as required by the Rules.⁸

BENEFICIARY RESPONSE

DIT disagrees with this finding and believes upon further review by the auditor, the finding will be withdrawn.

Information has been submitted for FRN 2734220. We are awaiting a response from the auditor in order to determine if the information submitted meets the auditor's request. DIT is continuing to pull information for all [Funding Request] [N]umbers requested.

After our January 2019 exit conference call with the USAC Auditor, [AAD's Manager of Audit and Assurance,] an additional discussion was held with the auditor for clarification of what type of reconciliation was needed. She informed us that they could not match our invoiced amount to the school, to the amount invoiced by the carrier. It was discussed and determined that this could not be done without the phone number which is the most important piece of information. The auditor needed the 10-digit phone number(s) the school used on their application for the e-rate discount. With the 10-digit phone number(s), the auditor would locate the charges for the number in question on the carrier's invoice to DIT. For the same time period, the auditor would locate the same phone number on the DIT invoice to the school. The difference between the two invoices would be our markup or admin fee. This review process has to be repeated for all of the phone numbers in question.

AAD RESPONSE

As noted in its response, the Beneficiary provided AAD additional documentation for FRN 2734220. AAD examined the documentation and determined that the service provider bills contained eligible services that supported the amounts disbursed by SLP. AAD informed the Beneficiary that the documentation was sufficient and the Beneficiary submitted additional documentation for FRN 2827903. AAD examined the documentation and determined that the service provider bills also support the amounts disbursed by SLP for FRN 2827903. Therefore, AAD has withdrawn FRNs 2734220 and 2827903 from this finding.

To support FRNs 2777490, 2781026, 2805059, 2828140, 2848566, 2849135 and 2854753, the Beneficiary provided AAD with service provider product codes for the SLP supported services. However, the associated pricing for the product codes provided did not reconcile to the amounts charged to the Beneficiary's member

⁸ The *E-rate Modernization Order* extended the document retention period from five to ten years after the latter of the last day of the applicable funding year or the service delivery deadline from the funding request. See *In the Matter of Modernizing the E-rate Program for Schools & Libraries*, Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 13-184, FCC 14-99, para. 262 (2014) (*E-rate Modernization Order*).

entities per the service provider bills or to the BEAR form. Therefore, AAD is still unable to conclude whether the amounts invoiced to SLP are supported only by eligible services delivered and billed by the service provider.

Based on the information above, AAD removed FRNs 2734220 and 2827903 from this finding and revised the monetary effect and recommended recovery to \$243,038, as follows:

FRN	Entity Name	Disbursed Amount
2777490	Buncombe County School	\$45,370
2781026	Haywood County Schools	\$31,126
2805059	Henderson County School District	\$41,124
2828140	Governor Morehead School	\$7,373
2848566	Burke County Public Schools	\$31,829
2849135	Rutherford County Schools	\$33,578
2854753	Wayne County Schools	\$52,638
Total		\$243,038

Finding #2: 47 C.F.R. § 54.503(a) – Beneficiary’s Member Entity Did Not Conduct a Fair and Open Competitive Bidding Process

CONDITION

AAD conducted inquiries with the Beneficiary’s member entity and examined documentation to determine whether the Beneficiary’s member entity conducted a fair and open competitive bidding process for FRN 2848566. The Beneficiary’s member entities consist of schools, school districts, libraries and library systems. The Beneficiary is a government agency that provides or oversees the procurement of IT services to state agencies, local governments, and educational institutions across North Carolina and submits the FCC Forms 471 for the SLP supported services received by its member entities.

One of the Beneficiary’s member entity, Burke County Schools (School District), informed AAD that no bid proposals were received in response to its Funding Year 2015 FCC Forms 470 and, therefore, the entity utilized the Beneficiary’s State Master Contract (SMC).⁹ The Beneficiary’s SMC was executed with multiple service providers. As stated on USAC’s website, “[i]f the state awards contracts to multiple service providers as a result of its posted FCC Form 470 and competitive bidding process – what [USAC] refer[s] to as a multiple

⁹ See Beneficiary’s responses to AAD’s *Process Interview Questionnaire* attached to email from John Hughes, Consultant for Burke County Schools to AAD (9/9/16)

award schedule – the applicant must conduct a bid evaluation for all service providers able to provide services to the applicant under these contracts (a mini-bid process).”¹⁰ The School District informed AAD that a bid evaluation was not memorialized because only one service provider from the SMC could provide the requested services to the School District. However, the School District did not provide documentation demonstrating only one of the service providers from the SMC could service its location.

AAD performed alternative procedures to determine whether multiple service providers from the SMC could provide the voice services requested by the School District. AAD examined the service providers’ websites and noted that BellSouth Telecommunications, LLC; CenturyLink Carolina Telephone and Telegraph Co.; and AT&T Corp. identified the area in and around Burke County Schools within its service area. Therefore, because the School District did not conduct a mini-bid evaluation to determine the most cost-effective service provider from the SMC, AAD is unable to conclude whether the Beneficiary’s member entity conducted a fair and open competitive bidding process using price as the primary factor to select the most cost-effective solution.¹¹

CAUSE

The Beneficiary’s member entity did not demonstrate sufficient knowledge of the Rules governing the competitive bidding process. The School District did not ensure personnel had been adequately trained, including performing a sufficient review of the Rules and USAC’s website.

EFFECT

The monetary effect of this finding is \$41,549. This amount represents the total amount committed by SLP for the following FRNs:

FRN	Entity Name	Funds Committed	Funds Disbursed
2848566	Burke County Schools	\$41,549	\$31,829
Total		\$41,549	\$31,829¹²

RECOMMENDATION

AAD recommends USAC management seek recovery of \$31,829 and issue a downward commitment adjustment for \$41,549. The Beneficiary must implement controls and procedures to ensure it retains documentation to demonstrate that it carefully considered all bid proposals, or in the instance of a multiple award schedule, all service providers under the state award contracts, and selected the most cost-effective service offering, using price of the eligible goods and services as the primary factor considered.

BENEFICIARY RESPONSE

DIT disagrees with this finding.

¹⁰ See USAC’s website at <https://www.usac.org/sl/applicants/step02/state-master-contracts.aspx>.

¹¹ 47 C.F.R. § 54.504(a)(1)(ix) (2014).

¹² Amount differs from the amount identified as disbursed as of the date of the commencement of the audit because the amounts represent the total funds disbursed by SLP as of the date of this audit report.

In August 2016, legal counsel advised the North Carolina coordinator for e-rate administration of the following: As the State agency charged with procuring and managing IT for the State's Executive Branch agencies, DIT has no authority or oversight for local government or school use of those contracts. Those entities have authority to use, or not use, DIT's contracts. For E-Rate purposes, a school may choose to compare pricing for eligible services against responses to the school's 470 but DIT has no oversight, involvement or knowledge of those matters prospectively.

Upon a discussion with the consultant for Burke County on February 21, 2019, there is no requirement to process a mini-bid because the DIT contract is not a convenience contract with multiple vendors. With DIT's contract the school chooses the provider listed on the DIT contract regardless of the possibility of other providers within the area that may not be included on the DIT1 contract.

AAD RESPONSE

In its response, the Beneficiary states that "there is no requirement to process a mini-bid because the DIT contract is not a convenience contract with multiple vendors." However, AAD examined the Beneficiary's *ITS Rate Schedules (Effective July 1, 2015 through June 30, 2016)*¹³ (Contract) and determined that there were multiple service providers available to provide voice services, including Frontier, CenturyLink, and AT&T. In addition, AAD examined the service provider agreements and service provider bills for the Beneficiary's member entities and noted that the member entities selected varying service providers from the Beneficiary's Contract.

The Beneficiary also states in its response that "[a]s the State agency charged with procuring and managing IT for the State's Executive Branch agencies, DIT has no authority or oversight for local government or school use of those contracts." Although the Beneficiary, or DIT, may not oversee the local government or school use of the contracts, the Beneficiary's member entities are required by the Rules to select the most cost-effective solution for SLP supported services.¹⁴ AAD reiterates that USAC's website states that "[i]f the state awards contracts to multiple service providers as a result of its posted FCC Form 470 and competitive bidding process – what [USAC] refer[s] to as a multiple award schedule - the applicant must conduct a bid evaluation for all service providers able to provide services to the applicant under these contracts (a mini-bid process)."¹⁵

For the reasons above and because the member entity did not provide documentation demonstrating only one of the service providers from the Contract could service its location, AAD's position on this finding remains unchanged.

¹³ See https://files.nc.gov/ncdit/documents/files/VS_16.pdf.

¹⁴ See 47 C.F.R. § 54.504(a)(1)(ix) (2014).

¹⁵ See USAC's website at <https://www.usac.org/sl/applicants/step02/state-master-contracts.aspx>.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.516(a)(1) (2014).	Schools and libraries shall retain all documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well.
#1	Instructions for Completing the Universal Service Schools and Libraries Billed Entity Application (BEAR) Form, OMB 3060-0856, at 6 (Jul. 2013) (<i>FCC Form 472 Instructions</i>).	The Billed Entity must sign the Certification and declare under penalty of perjury that: (A) The discount amounts listed in Column (14) of this Billed Entity Applicant Reimbursement Form represent charges for eligible services delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.
#1	47 C.F.R. § 54.702(n) (2014).	When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards.
#2	47 C.F.R. § 54.503(a) (2014).	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. § 54.504(a)(1)(ix) (2014).	Except as exempted by §54.503(e), all bids submitted to a school, library, or consortium seeking eligible services were carefully considered and the most cost-effective bid was selected in accordance with §54.503 of this subpart, with price being the primary factor considered, and it is the most cost-effective means of meeting educational needs and technology goals.

Attachment D
SL2019BE044

*Northside Independent School District
Audit ID: SL2019BE044
(BEN: 141555)*

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2018 as of October 16, 2019*

Prepared for: Universal Service Administrative Company

As of Date: August 3, 2020

KPMG LLP
1021 East Cary Street
Richmond, VA 23219

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EXECUTIVE SUMMARY

KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

August 3, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Northside Independent School District Billed Entity Number (“BEN”) 141555, (“Northside ISD” or “Beneficiary”) for disbursements of \$0 and commitments of \$7,080,565, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2019, as of October 16, 2019 (hereinafter “Funding Year 2018”). Our work was performed during the period from December 13, 2019 to August 3, 2020, and our results are as of August 3, 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 \$7,080,565 and disbursements of \$0 made from the E-rate Program related to Funding Year 2018. 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 did not identify any findings as a result of the work performed.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
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 500	Funding Commitment Adjustment Request Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2018	The twelve-month period from July 1, 2018 to June 30, 2019 during which E-rate Program support is provided (as of October 16, 2020)
MIBS	Managed Internal Broadband Services
Northside ISD	Northside Independent School District
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

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; Lifeline; 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 2018 is 80%. 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 \$7,080,565 and disbursements of \$0 made for Funding Year 2018.

Beneficiary Overview

The Northside Independent School District (BEN# 141555) is a school district located in San Antonio, Texas that serves over 106,000 students. The district opened in 1955 and serves a large portion of the Greater San Antonio community.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2018 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$ 764,892	\$0
Internal Connections	\$ 6,315,673	\$0
Total	\$ 7,080,565	\$0

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 2018. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2018 as of October 16, 2020.

The committed total represents 5 FCC Form 471 applications with 9 FRNs. We selected 8 FRNs, which represent \$6,987,685 or 99% of the funds committed and \$0 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2018 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary’s compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC’s Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary’s eligibility and resulted in commitments of \$7,080,565 and disbursements of \$0 made from the E-rate Program for Funding Year 2018. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC’s Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary’s compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2018 and disbursements, 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, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements to be made from the E-rate Program for Funding Year 2018.

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

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

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2018. The procedures conducted during this performance audit include the following:

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected 8 FRNs in scope for this audit.

2. Application Process

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

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

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

5. Invoicing Process

For the FRNs audited, we obtained and examined a sample of bills from the service provider associated with the equipment and services received and installed by the Beneficiary to determine whether they were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

6. Site Visits

For the FRNs audited, we performed a physical inventory to evaluate the location and use of equipment and services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. We also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was used in an effective manner.

7. Record Keeping

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

8. Final Risk Assessment

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

RESULTS

KPMG's performance audit procedures identified no findings.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified no findings.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified no findings relative to Funding Year 2018 commitments and disbursements made from the E-rate Program for the audit period.

Attachment E
SL2019BE047

*Orange County School District
Audit ID: SL2019BE047
(BEN: 127681)*

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2017 as of September 30, 2019*

Prepared for: Universal Service Administrative Company
As of Date: June 26, 2020

KPMG LLP
1021 E. Cary Street
Suite 2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

June 26, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Orange County School District, Billed Entity Number (“BEN”) 127681, (Beneficiary) for disbursements of \$4,440,926 and commitments of \$4,539,798, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of September 30, 2019 (hereinafter “Funding Year 2017”). Our work was performed during the period from October 25, 2019 to June 26, 2020, and our results are as of June 26, 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 \$4,539,798, and disbursements of \$4,440,926 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.

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.

As our report further describes, KPMG did not identify any findings as a result of the work performed.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated June 26, 2020.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

USAC Audit No. SL2019BE047

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
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
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2017	The twelve-month period from July 1, 2017 to June 30, 2018 during which E-rate Program support is provided (as of September 30, 2019)
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

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 \$4,539,798 and disbursements of \$4,440,926 made for Funding Year 2017.

Beneficiary Overview

The Orange County School District (BEN# 127681) is a school district located in Orlando, FL that serves over 207,000 students. The District is in the center of the State of Florida and encompasses an area of about 1,000 square miles. Orange County Public Schools is the 9th largest district in the nation and is the fourth largest in Florida.

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

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$4,539,798	\$4,440,926
Total	\$4,539,798	\$4,440,926

Source: USAC

Note: The amounts committed reflect the maximum amounts to be funded, as determined by USAC, by FRN and service type, for Funding Year 2017. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2017 as of September 30, 2019.

The committed total represents two FCC Form 471 applications with four FRNs. We selected four FRNs, which represent \$4,539,798 or 100% of the funds committed and \$4,440,926 or 100% of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$4,539,798 and disbursements of \$4,440,926 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, 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. Planning and Assessment
2. Application Process
3. Competitive Bid Process
4. Calculation of the Discount Percentage
5. Invoicing Process
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

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

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected four FRNs in scope for this audit.

2. Application Process

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

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that the price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing the contract with the selected service provider. We reviewed the service provider contract to determine whether it was properly executed. We evaluated the services requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

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

5. Invoicing Process

For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

7. Reimbursement Process

For the FRNs audited, we obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the BEAR forms for services provided to the Beneficiary. We verified that the services claimed on the BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

8. Record Keeping

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

9. Final Risk Assessment

Because we sampled 100% of the FRNs (four total), and there were no findings identified, KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit procedures identified no findings.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified no findings.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified no findings relative to Funding Year 2017 commitments and disbursements made from the E-rate Program for the audit period.

Attachment F
SL2019BE040

Prince George's County Schools
Audit ID: SL2019BE040
(BEN: 126359)

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2018 as of October 14, 2019*

Prepared for: Universal Service Administrative Company

As of Date: July 10, 2020

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

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KPMG LLP
Suite 910
800 South Gay Street
Knoxville, TN 37929-9729

EXECUTIVE SUMMARY

July 10, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Prince George’s County Schools , Billed Entity Number (“BEN”) 126359, (“PGCS” or “Beneficiary”) for disbursements of \$1,585,488 and commitments of \$4,404,634, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2019, as of October 14, 2019 (hereinafter “Funding Year 2018”). Our work was performed during the period from January 7, 2020 to July 10, 2020, and our results are as of July 10, 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 \$4,404,634 and disbursements of \$1,585,488 made from the E-rate Program related to Funding Year 2018. 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 did not identify any findings as a result of the work performed.

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

We noted other matters that we have reported to the management of the Beneficiary in a separate letter dated July 10, 2020.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
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
FRN	Funding Request Number
Funding Year 2018	The twelve-month period from July 1, 2018 to June 30, 2019 during which E-rate Program support is provided (as of October 14, 2019)
MIBS	Managed Internal Broadband Services
PGCS	Prince George's County Schools
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

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 2018 is 80%. 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 \$4,404,634 and disbursements of \$1,585,488 made for Funding Year 2018.

Beneficiary Overview

Prince George's County Schools (BEN# 126359) is a school district located in Prince George's County, MD that serves over 133,000 students.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2018 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$2,902,080	\$255,360
Internal Connections	\$1,474,894	\$1,330,128
Basic Maintenance of Internal Connections	\$27,660	\$ -
Total	\$4,404,634	\$1,585,488

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 2018. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2018 as of October 14, 2019.

The committed total represents two FCC Form 471 applications with four FRNs. We selected four FRNs, which represent \$4,404,634 or 100% of the funds committed and \$1,585,488 or 100% of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2018 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$4,404,634 and disbursements of \$1,585,488 made from the E-rate Program for Funding Year 2018. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2018 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, and physical inventory of equipment purchased and maintained. We also performed other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 2018.

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

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

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2018. The procedures conducted during this performance audit include the following:

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, considering the need for site visits and developing our audit approach. Using an agreed upon sampling methodology, we selected 4 FRNs in scope for this audit.

2. Application Process

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

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

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

5. Invoicing Process

For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

6. Virtual Site Visit

For the FRNs audited, we performed a virtual physical inventory to evaluate the location and use of equipment and services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. We also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was used in an effective manner.

7. Reimbursement Process

For the FRNs audited, we obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was

invoiced properly. Specifically, we reviewed invoices associated with the SPI and BEAR forms for services and equipment provided to the Beneficiary. We verified that the services and equipment claimed on the SPI and BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

8. Record Keeping

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

9. Final Risk Assessment

Because we sampled 100% of the FRNs (four total), and there were no findings identified, KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified no findings.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified no findings relative to Funding Year 2018 commitments and disbursements made from the E-rate Program for the audit period.

**Attachment G
SL2019LS001**

Puerto Rico Department of Education

Limited Scope Performance Audit on Compliance with the Federal
Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2019LS001

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EXECUTIVE SUMMARY

February 3, 2020

Victor Ortiz Pizarro, Chief Information Officer
Puerto Rico Department of Education
P.O Box 190756
San Juan, PR 00919-0759

Dear Mr. Pizarro:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the Puerto Rico Department of Education's (Beneficiary), Billed Entity Number (BEN) 157779, compliance with the Federal Communication Commission's (FCC) 2017 E-rate Emergency Relief Order (*Hurricane Relief Order*) and the related 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 its limited scope performance audit.

The *Hurricane Relief Order* provides relief for E-rate applicants impacted by Hurricanes Harvey, Irma, and/or Maria. The Order provides targeted support for "Directly Impacted Applicants"¹ as they work to restore services to their pre-Hurricane level of functionality by making additional E-rate discounts available for the purchase of services and equipment that were disrupted, damaged, or destroyed by the Hurricanes. The Order also makes additional funding available to "Indirectly Impacted Schools"² to defray costs of increased demand for eligible services due to serving students displaced by the Hurricanes.

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 Beneficiary requested additional E-rate support only to purchase the same services or equipment on substantially similar terms and conditions as the contract originated by the FCC Form 470

¹ *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 32 FCC Rcd 9538, at 9 (Oct. 30, 2017).

² *Id.*, at 20.

that existed prior to the Hurricanes, a physical inventory of equipment purchased and maintained, and examining evidence supporting the Beneficiary secured access to all the resources necessary to make effective use of the services or equipment purchased, 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 did not disclose any areas 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 FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by you and your staff during the audit.

Sincerely,



Teleshia Delmar

USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer

 Catriona Ayer, USAC Vice President, Schools and Libraries Division

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 *Hurricane Relief Order* support for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Managed Internal Broadband Services	\$3,031,256	\$0
Internet Access	\$3,161,288	\$0
Total	\$6,192,544	\$0

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

The committed total represents two FCC Form 471 applications with three Funding Request Numbers (FRNs). AAD selected one of the three FRNs,¹ which represents \$3,031,256 of the funds committed and \$0 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the Beneficiary for *Hurricane Relief Order* support.

BACKGROUND

The Beneficiary, which is a Directly Impacted Applicant, is a school district located in San Juan, Puerto Rico that serves over 460,000 students. Puerto Rico was designated by the Federal Emergency Management Agency (FEMA) as eligible for individual disaster assistance and the Beneficiary certified that it had incurred substantial damage to E-rate eligible services and equipment as a result of the Hurricanes.

PROCEDURES

AAD performed the following procedures:

A. Eligibility Process

AAD examined documentation to determine whether the Beneficiary's schools and libraries were located in an area designated by FEMA as eligible for individual disaster assistance.

B. Competitive Bidding

AAD examined documentation to determine whether the Beneficiary filed a new FCC Form 470 during SLP's second application window for Funding Year 2017 or requested services based on an existing FCC Form 470. If the Beneficiary filed a new FCC Form 470, AAD examined documentation to determine whether the Beneficiary waited at least 14 days from the date the FCC Form 470 was posted to USAC's website before selecting its service provider. In addition, AAD examined documentation to determine whether the Beneficiary's competitive bidding process was designed to select the most cost-effective

¹ The FRN included in the scope of this audit was FRN 1799113568.

service provider using price of eligible services and equipment as its primary factor. If the Beneficiary requested services in a separate FCC Form 471 without initiating a new competitive bidding process, AAD examined documentation to determine whether the Beneficiary (1) had already sought bids for the services or equipment by posting an FCC Form 470 prior to the Hurricanes, (2) received a Funding Commitment Decision Letter from USAC approving a funding request that relied on that FCC Form 470 or had a funding request pending, and (3) requested the additional E-rate support to purchase the same services or equipment on substantially similar terms and conditions as the contract originated by the existing FCC Form 470.

C. Site Visit

AAD 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. 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 to determine whether funding was and/or will be used in an effective manner.

**Attachment H
SL2019BE049**

*Shelby County School District
Audit ID: SL2019BE049
(BEN: 128440)*

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2017 as of 10/14/2019*

Prepared for: Universal Service Administrative Company

As of Date: July 9, 2020

KPMG LLP
200 E Randolph St
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

July 9, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the Shelby County School District, Billed Entity Number (“BEN”) 128440, (“SCSD” or “Beneficiary”) for disbursements of \$3,240,952 and commitments of \$3,754,516, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2018, as of October 14, 2019 (hereinafter “Funding Year 2017”). Our work was performed during the period from November 6, 2019 to July 9, 2020, and our results are as of July 9, 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 \$3,754,516 and disbursements of \$3,240,952 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.

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.

As our report further describes, KPMG did not identify any findings as a result of the work performed.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

List of Acronyms

Acronym	Definition
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
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 474	Service Provider Invoice 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 October 14, 2019)
MIBS	Managed Internal Broadband Services
SCSD	Shelby County School District
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

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 \$3,754,516 and disbursements of \$3,240,952 made for Funding Year 2017.

Beneficiary Overview

The SCSD (BEN 128440) is a school district located in Memphis, Tennessee that serves over 100,000 students. SCSD is Tennessee's largest public school district and is among the 25 largest public school districts in the United States. SCSD is the second largest employer in Shelby County with over 14,000 employees.

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

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$2,763,612	\$2,466,425
Voice Services	\$ 990,904	\$ 774,527
Total	\$3,754,516	\$3,240,952

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 October 14, 2019.

The committed total represents one FCC Form 471 application with four FRNs. We selected four FRNs, which represent \$3,754,516 or 100% of the funds committed and \$3,240,952 or 100% of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2017 applications submitted by the Beneficiary.

Objectives

The objective of this performance audit was to evaluate the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of \$3,754,516 and disbursements of \$3,240,952 made from the E-rate Program for Funding Year 2017. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2017 and disbursements received, including the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, invoices supporting services delivered to the Beneficiary and reimbursed via the E-rate Program, 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. Planning and Assessment
2. Application Process
3. Competitive Bid Process
4. Calculation of the Discount Percentage
5. Invoicing Process
6. Reimbursement Process
7. Record Keeping
8. Final Risk Assessment

Procedures

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

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected four FRNs in scope for this audit.

2. Application Process

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

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

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

5. 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 the Beneficiary paid its non-discounted share in a timely manner.

6. Reimbursement Process

For the FRNs audited, we obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the SPI forms for services provided to the Beneficiary. We verified that the services 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 record retention policies and procedures are consistent with the E-rate Program rules. Specifically, we determined whether the Beneficiary was able to provide the documentation requested in the audit notification, for the FRNs audited, as well as retained and provided the documentation requested in our other audit procedures.

8. Final Risk Assessment

Because we sampled 100% of the FRNs (four total), and there were no findings identified, KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit procedures identified no findings.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified no findings.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified no findings relative to Funding Year 2017 commitments and disbursements made from the E-rate Program for the audit period.

Attachment I
SL2019BE043



The School Board of Broward County
Audit ID: SL2019BE043
(BEN: 127743)

*Performance audit for the Universal Service Schools and
Libraries Program Commitments and Disbursements
related to Funding Year 2018 as of October 15, 2019*

Prepared for: Universal Service Administrative Company

As of Date: July 8, 2020

KPMG LLP
8350 Broad Street
Suite 900
McLean, VA 22102

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KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

July 8, 2020

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

Dear Ms. Delmar:

This report presents the results of our work conducted to address the performance audit objectives relative to the School Board of Broward County, Billed Entity Number (“BEN”) 127743, (“SBBC” or “Beneficiary”) for disbursements of \$3,426,001 and commitments of \$9,624,928, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2019, as of October 15, 2019 (hereinafter “Funding Year 2018”). Our work was performed during the period from November 20, 2019 to July 8, 2020, and our results are as of July 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 \$9,624,928 and disbursements of \$3,426,001 made from the E-rate Program related to Funding Year 2018. 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 did not identify any findings as a result of the work performed.

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated July 8, 2020.

This report is intended solely for the use of the Universal Service Administrative Company, the Beneficiary, and the FCC, and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC to a requesting third party.

Sincerely,

KPMG LLP

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
CIPA	Children’s Internet Protection Act
FCC	Federal Communications Commission
FCC Form 470	Description of Services Requested and Certification Form 470
FCC Form 471	Description of Services Ordered and Certification Form 471
FCC Form 472	Billed Entity Applicant Reimbursement Form
FCC Form 474	Service Provider Invoice Form
FCC Form 479	Certification of Compliance with the Children’s Internet Protection Act
FCC Form 486	Receipt of Service Confirmation and Children’s Internet Protection Act Certification Form
FCDL	Funding Commitment Decision Letter
FRN	Funding Request Number
Funding Year 2018	The twelve-month period from July 1, 2018 to June 30, 2019 during which E-rate Program support is provided (as of October 15, 2019)
MIBS	Managed Internal Broadband Services
SBBC	The School Board of Broward County (also referred to as “Beneficiary”)
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

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; Lifeline; 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 2018 is 80%. 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 \$9,624,928 and disbursements of \$3,426,001 made for Funding Year 2018.

Beneficiary Overview

The School Board of Broward County (BEN# 127743) is a school district located in Fort Lauderdale, Florida that serves over 267,000 students. SBBC is the first fully accredited school system in Florida, the second largest school system in Florida and the sixth largest school system in the United States.

The following table illustrates the E-rate Program support committed and disbursed by USAC to the Beneficiary for Funding Year 2018 by service type:

Service Type	Amount Committed	Amount Disbursed
Internet Access	\$3,747,268	\$3,426,001
Internal Connections	\$5,877,660	\$ 0
Total	\$9,624,928	\$3,426,001

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 2018. The amounts disbursed represent disbursements made from the E-rate Program by service type related to Funding Year 2018 as of October 15, 2019.

The committed total represents three FCC Form 471 applications with eight FRNs. We selected seven FRNs, which represent \$9,563,095 of the funds committed and \$3,426,001 of the funds disbursed for the audit period, to perform the procedures enumerated below related to the Funding Year 2018 applications submitted by the Beneficiary. KPMG noted that the Beneficiary received a service implementation extension from USAC through the period of our audit for all Funding Year 2018 Category Two FRNs, and therefore we were unable to test disbursements or complete physical inspection of equipment related to Internal Connections.

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 \$9,624,928 and disbursements of \$3,426,001 made from the E-rate Program for Funding Year 2018. See the Scope section below for a discussion of the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules that are covered by this performance audit.

Scope

The scope of this performance audit includes, but is not limited to, examining on a test basis, evidence supporting the Beneficiary's compliance with the Rules in order to be eligible for the commitment amounts for Funding Year 2018 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, 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 2018.

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

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

Procedures

This performance audit includes procedures related to the E-rate Program for which funds were committed by SLP to the Beneficiary and received by the Beneficiary for Funding Year 2018. The procedures conducted during this performance audit include the following:

1. Planning and Assessment

In collaboration with USAC, we assessed Beneficiary criteria to perform audit planning activities, including sampling, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected seven FRNs in scope for this audit.

2. Application Process

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

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

3. Competitive Bid Process

For the FRNs audited, we obtained and examined documentation to determine whether all bids received were properly evaluated and that price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services and equipment requested and purchased for cost effectiveness as well.

4. Calculation of the Discount Percentage

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

5. Invoicing Process

For the FRNs audited, we obtained and examined invoices for which payment was disbursed by USAC to determine that the equipment and services claimed on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner. As no disbursements had occurred for Funding Year 2018 Category Two FRNs due to an extension granted by USAC, we did not test invoicing for the Internal Connections FRNs.

5. Reimbursement Process

For the FRNs audited, we obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the BEAR forms for services provided to the Beneficiary. We verified that the services claimed on the BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

6. Record Keeping

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

7. Final Risk Assessment

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

RESULTS

KPMG's performance audit procedures identified no findings.

Findings, Recommendations and Beneficiary Responses

KPMG's performance audit procedures identified no findings.

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified no findings relative to Funding Year 2018 commitments and disbursements made from the E-rate Program for the audit period.