Schools & Libraries Committee

Audit Briefing Book

Monday, April 26, 2021

Virtual Meeting

Universal Service Administrative Company

700 12th Street NW, Suite 900

Washington, D.C. 20005

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: December 12, 2020

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Alaska Gateway School District **Attachment A**	1	• No significant findings.	$999,297	$16,216	$16,216	$0	N
Anne Arundel County Public Schools **Attachment B**	1	• SLP Funded Equipment Was Not Installed By Required Deadline: Beneficiary determined a portion of equipment purchased was incompatible with their environment and therefore never installed it.	$3,246,760	$27,258	$27,258	$27,258	Y
Rogue River School District #35 **Attachment C**	3	• No significant findings.	$70,804	$26,826	$22,534	$4,292	N
Total	**5**		**$4,316,861**	**$70,300**	**$66,008**	**$31,550**	

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

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

Attachment A

SL2019LR010

Alaska Gateway School District

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2019LR010

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Universal Service
Administrative Co.

EXECUTIVE SUMMARY

July 28, 2020

Scott MacManus, Superintendent
Alaska Gateway School District
P.O. Box 2261313.5
Alaska Highway, AK 99780

Dear Mr. MacManus:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Alaska Gateway School District (Beneficiary), Billed Entity Number (BEN) 145659, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited review performance audit.

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

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) 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

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 RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
Finding #1: 47 CFR § 54.507(d)(4) SLP Funded Equipment Not Installed by Required Deadline. The equipment purchased through E-Rate Program funding was not installed by September 30, 2019.	$16,216
Total Net Monetary Effect	**$16,216**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the applicant to our website for additional resources. Various links are listed below:

- https://www.usac.org/e-rate/applicant-process/before-youre-done/transfer-of-equipment/
- https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/

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
1899048625	$279
1899048670	$15,937
Total	**$16,216**

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 2018 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$19,589	$17,125
Internet Access	$981,882	$981,882
Voice	$4,673	$290
Total	**$1,006,144**	**$999,297**

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

The committed total represents four FCC Form 471 applications with nine Funding Request Numbers (FRNs). AAD selected three FRNs of the nine FRNs,[1] which represent $1,001,470 of the funds committed and $999,007 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2018 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a public school district located in Alaska Highway, AK that serves over 415 students.

PROCEDURES

AAD performed the following procedures:

A. Application Process

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

B. Competitive Bid Process

AAD obtained and examined documentation to determine whether all bids received were properly evaluated and price of the eligible services and goods was the primary factor considered. AAD also

[1] The FRNs included in the scope of this audit were 1899034815, 1899048625, and 1899048670.

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.

C. Invoicing Process

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

D. 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

E. Reimbursement Process

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

DETAILED AUDIT FINDING

Finding #1: 47 C.F.R. 54.507 (d)(4) - SLP Funded Equipment Not Installed by Required Deadline

CONDITION

AAD obtained and examined the Fixed Asset Listing (FAL) to select equipment for a physical site visit and determine whether the Beneficiary installed the requested internal connections equipment (i.e., non-recurring services) for FRNs 1899048625 and 1899048670. During AAD's site visit on August 19, 2019 to August 22, 2019 to the seven schools within the Alaska Gateway School District, AAD observed that the internal connections equipment were located at Tok School and was not installed, operational, and located at the correct eligible locations. As a result, AAD requested the installation plan from the Beneficiary to determine whether a plan was in place for the equipment to be installed by the non-recurring service implementation deadline of September 30, 2019. Based on AAD's review of the Beneficiary's equipment installation plan, all the equipment was scheduled to be installed during the month of September 2019 to meet the implementation deadline.

After September 30, 2019, AAD requested the Beneficiary to provide evidence (e.g., pictures) demonstrating that the equipment was installed at each school location. The Beneficiary indicated that the switches, wireless access points and the Uninterruptible Power Supply (UPS) were not installed by the implementation deadline. On December 13, 2019, the Beneficiary provided AAD with evidence (e.g., pictures) that the remaining equipment was installed at the respective school locations.[2] The pre-discounted cost of the equipment that was not installed is summarized below:

FRN	Equipment Type	Equipment Model	Quantity	Unit Price	Total Price
1899048625	UPS	Smart UPS C 1500VA LCS 120V	1	$328	$328
1899048670	Switches	US-48-500W	8	$750	$6,000
1899048670	Access Points	Unifi UAD-SHD-Wireless AP	30	$419	$12,750
				TOTAL	**$19,078**

Because the Beneficiary installed the equipment after the implementation deadline and did not file a request with SLP for an extension of the implementation deadline, AAD concludes that the Beneficiary did not install internal connections equipment by the required deadline.

CAUSE

The Beneficiary did not have adequate internal controls and procedures in place to ensure the

[2] Beneficiary response to Audit Inquiry (AIR #2a) received on December 13, 2019.

implementation of non-recurring services prior to the deadline. The Beneficiary informed AAD that it did not install the requested internal connections equipment by the implementation deadline because the asset system (Unified Management System) was down and the New IT Director did not gain access to the asset system until late September of the funding year.[3]

EFFECT

The monetary effect of this finding is $16,216 ($19,078 * the Beneficiary's 85 percent discount). This amount represents the discounted cost of the uninstalled internal connections equipment, as summarized below:

FRN	Monetary Effect
1899048625	$279
1899048670	$15,937
Total	**$16,216**

RECOMMENDATION

AAD recommends that USAC management seek recovery of $16,216.

AAD recommends that the Beneficiary implement internal controls (including proper access to the asset system) and procedures to ensure that internal connections equipment (i.e., non-recurring services) is installed and operational by the implementation deadline. In addition, AAD recommends that the Beneficiary files a request for an extension, if any delays are anticipated. Further, AAD recommends that the Beneficiary visit USAC's website at https://www.usac.org/e-rate/trainings/ to become familiar with the training materials and outreach available from SLP.

BENEFICIARYRESPONSE

I, Brenda Overcast, am the Technology Director for AGSD. I was hired Aug 11, 2019. The audit was in the process prior to my hiring. I was filled in with limited information on the specific to be completed by the September 30, 2019 due date by transition personnel and then when contacted directly with USAC I was able to complete the process after a series of complication outside of Alaska Gateways SD and my control.

Process went as followed:

- Funding approved January 2018
- Equipment was purchased Feb. 2019
- Equipment was delivered to office by March 6, 2019
- Jason Fasteneau resigned and left June 2019
- Audit started June 28, 2019 Intermediate tech, Ashley Cooper, completing information
- Brenda Overcast hired Aug 11, 2019
- Audit Visit was Aug 18-21st inspection of each school
- Brenda Overcast moved to Tok Aug 17-20 , passing of father Aug 18
- Management system was fixed and able to access Sept 18th worked on updating and accessibility to sites
- All Equipment delivered to each site by September 28th 2019 UPS installed but switches and Aps were not installed, due to management system locked up and procedures.

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[3] Beneficiary's responses to audit inquiries received via BOX on May 18, 2020.

- Celebration of Life for father Oct. 5, 2019 in Montana Brenda took bereavement leave.
- Was in personal contact Oct 8, with Kathrine Mitchell and Kifayat Badmus of USAC that equipment was to be installed by Sept. 30. Information of complications outside control was stated to complete process with management system locked up, travel for parents celebration of life (death of father), and weather with traveling to each site 3 sites 50+ miles away and Eagle is 173 miles and roads closed Oct 1st
- Travel by plane was attempted Nov 17th but turned back due to weather. Eagle was completed Nov 25th
- Weekly and biweekly meetings were set up with USAC to update process completion.
- Completion of All switches and AP's November 25th
- Pictures of all Switches, AP's , and management system showing completed and sent to USAC December 8th
- All completed paperwork was completed when USAC personnel asked. Met with Kathrine Mitchell and Kifayat Badmus, with USAC, every other week.

I, Brenda Overcast, was hired after the Audit started and there was communication but limited knowledge of technology process in completing what needed to be done. It took time, being new, to figure out what needed to be completed and process along with other duties as the only technology personnel for the district.

When I started work with AGSD our UNIFI management system, to manage our AP's and switches and our internet that sees all our switches, AP's, and all users, was locked up and we had no access. Our GCI technology experts, helped me get access to the system. This was completed September 18, 2019.

I have been completely open and honest with USAC with the installation of this equipment. With the circumstances that inspired, after my hiring, I completed the process of installation as quick as possible. Please note that this district does understand the importance of adhering to the regulations of USAC and the installation was stalled do to unusual incidents that were out of our control.

I have attached the file from GCI who helped me unlock the management system and the obituary of Lee Overcast (my father).

CRITERIA

Finding	Criteria	Description
#1	47 CFR § 54.507(d)(4)	The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: **(i)** The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; **(ii)** The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; **(iii)** The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or **(iv)** The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance.
	FCC Form 474 Instructions, Jul. 2013, OMB 3060-0856, at 2	The delivery period for recurring services is generally July 1 through June 30 of the following year; the period for non-recurring services is generally July 1 through September 30 of the following year.

Attachment B

SL2019BE041

Anne Arundel County Public Schools
Audit ID: SL2019BE041
(BEN: 126392)

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: December 11, 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

December 11, 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 Anne Arundel County Public Schools, Billed Entity Number ("BEN") 126392, (Beneficiary) for disbursements of $3,246,760 and commitments of $4,776,407, 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 19, 2019 to December 11, 2020, and our results is as of December 11, 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 finding and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion 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 $4,776,407 and disbursements of $3,246,760 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 identified one finding as discussed in the Audit Results and Commitment Adjustment/Recovery Action section as a result of the work performed. Based on this result, we estimate the commitment amount[1] made to the Beneficiary from the E-rate Program related to Funding Year 2018 was $27,258 higher than it would have been had the amount been reported properly.

[1] While there was no disbursement as of the audit announcement date October 15, 2019, USAC confirmed $27,258 was disbursed as of the date this report and will therefore be included in the recommended recovery.

KPMG LLP a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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.

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
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
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery*	Recommended Commitment Adjustment
<u>SL2019BE041-F01: SLP Funded Equipment Was Not Installed by Required Deadline</u>– Beneficiary determined a portion of equipment purchased was incompatible with their environment and therefore never installed it.	$27,258	$0	$27,258
Total Net Monetary Effect	**$27,258**	**$0**	**$27,258**

**Note:* *For Finding SL2019BE041-F01, the recommended recovery is $0 because there were no disbursements for the impacted FRN as of October 15, 2019. However, USAC confirmed that a disbursement of $27,258 was made as of the date of this report and will therefore be included in the recommended recovery.*

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery and commitment adjustment amount. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the applicant to our website for additional resources. Various links are listed below:

- https://www.usac.org/e-rate/applicant-process/before-youre-done/transfer-of-equipment/
- https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/

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
1899054836	$27,258	$27,258

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 $4,776,407 and disbursements of $3,246,760 made for Funding Year 2018.

Beneficiary Overview

The Anne Arundel County Public Schools (BEN# 126392) is a school district located in Annapolis, Maryland that serves over 84,000 students. It is the fourth largest school system in Maryland, and it operates 77 elementary, 19 middle, and 12 high schools.

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	$3,288,915	$3,246,760
Internal Connections	$1,487,492	$0
Total	**$4,776,407**	**$3,246,760**

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 two FCC Form 471 applications with six FRNs. We selected five FRNs, which represent $4,755,414 or 99.56% of the funds committed and $3,246,760 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 $4,776,407 and disbursements of $3,246,760 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 five 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 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. **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 provided to the Beneficiary. We verified that the services claimed on the SPI and BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

7. **Record Keeping**

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

8. Final Risk Assessment

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

RESULTS

KPMG’s performance audit results include a listing of findings, recommendations and Beneficiary responses with respect to the Beneficiary’s compliance with FCC requirements, and an estimate of the monetary impact of such finding relative to 47 C.F.R. Part 54 applicable to Funding Year 2018 commitments and disbursements made from the E-rate Program. USAC management is responsible for any decisions and actions resulting from the findings or recommendations noted.

Finding, Recommendation and Beneficiary Response

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

Finding No.	**SL2019BE041-F01: SLP Funded Equipment Was Not Installed by Required Deadline**
Condition	The Beneficiary received disbursements for internal connections under FRN 1899054836, SPI No. 3046475, after October 15, 2019 the date of audit announcement. On the FCC Form 471, the Beneficiary requested 244 Cisco model SFP-10G-SR-S= transceivers. After installation, the Beneficiary noted 177 of the transceivers were incompatible with the current fiber infrastructure. The Beneficiary notified the audit team during the kick-off call and, after reviewing the invoices provided by the Beneficiary, we noted the Beneficiary did not return the equipment to the service provider or the related E-rate funds to SLP totaling $27,258. In accordance with the Rules, internal connections must have been implemented by September 30, 2019 and used primarily for educational purposes
Cause	The Beneficiary did not have adequate controls and procedures in place to purchase compatible equipment and address any issues in a timely manner.
Effect	The monetary effect of this finding is a commitment adjustment of $27,258 under FRN 1899054836, as the disbursement had not occurred as of October 15, 2019. This amount represents the discounted cost of $54,416 multiplied by the Beneficiary’s discount rate of 50%.
Recommendation	KPMG recommends that USAC management make a commitment adjustment as noted in the Effect section above and seek recovery of any related funds disbursed by SLP after October 15, 2019. The Beneficiary should implement procedures to adequately monitor and verify equipment purchases are properly installed by the required deadline or that funds for unused equipment are returned to USAC timely.
Beneficiary Response	Anne Arundel County Public Schools (AACPS) partially agrees with the Condition and Effect noted by KPMG; however, we respectfully disagree with the Cause. It is AACPS’s opinion that the Cause of this issue was erroneous information provided by the manufacturer of the SFP-10G-SR-S= Transceivers, Cisco. AACPS was previously informed by Cisco that the Transceivers would work with the existing fiber infrastructure within AACPS’s schools. After the Transceivers were

installed AACPS Information Technology (IT) staff determined that they would not pass data over the 1 Gbps fiber infrastructure in some schools.

AACPS did not return the Transceivers because it always intended to upgrade the fiber in all schools to be capable of 10 Gbps transmission speeds. AACPS has been in the process of replacing the 1 Gbps fiber infrastructure with 10 Gbps fiber; however, the project was not complete by the 9/30/2019 service delivery deadline for FRN 1899054836.

AACPS has every intention of repaying the $27,258.00 to USAC and has spent an inordinate amount of time attempting to do so. Unfortunately, because of the complexity of the process and lack of clear instructions, the timely return of the funds to USAC has not been possible.

AACPS maintains that it has adequate procedures and processes to ensure equipment purchases are properly installed by the required deadline. However, understanding that there is always room for improvement, AACPS will conduct a business process analysis to determine where the existing processes and procedures can be strengthened, or if additional processes and procedures are needed.

KPMG Response

KPMG acknowledges the information in the Beneficiary management's response that provides additional context for this finding. However, despite the efforts described, it remains apparent that the controls and procedures in place to timely address issues that arise related to the purchase and installation of compatible equipment need improvement. We understand AACPS will continue to work with the Service Provider and USAC, as applicable, to resolve this matter.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.507(d)(4) (2017)	“(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: (i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; (iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or (iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance.”
1	FCC Form 500 Instructions for Completing the Universal Service for Schools and Libraries Funding Commitment Adjustment Request Form, at 5, Item 8	“Service Delivery Extension Request: Complete this row if you wish to extend the deadline for service delivery and installation for non-recurring services. Applicants have three additional months after the end of the funding year (until September 30) to install one-time services known as non-recurring services. USAC may extend the September 30 deadline if the applicant falls within at least one of four designated circumstances: (1) applicants whose FCDLs are issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (2) applicants who receive service provider change or service substitution authorizations from the Administrator on or after March 1 of the funding year for which discounts are authorized; (3) applicants whose service providers are unable to complete implementation for reasons beyond the service provider’s control; or (4) applicants whose service providers are unwilling to complete installation because funding disbursements are delayed while the Administrator investigates their application for program compliance. USAC automatically extends the service delivery deadline for non-recurring services if the reason for the extension are either (1) or (2). However, applicants must affirmatively request an extension of the September 30 deadline for either (3) or (4). Enter the FCC Form 471 application number and FRN, and certify by checking off the reason you are requesting the service delivery deadline extension. Note that the applicant must request an extension on or before the September 30 deadline. Granting an extension will not increase funding.”

Finding	Criteria	Description
1	47 C.F.R. § 54.504(a)(1)(v) (2017),	"The services the school, library, or consortium purchases at discounts will be used primarily for educational purposes …"

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding, titled as follows: "SLP Funded Equipment Was Not Installed by Required Deadline". Detailed information relative to the finding is described in the Finding, Recommendation and Beneficiary Response section above.

The combined estimated monetary effect of this finding is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery*	Recommended Commitment Adjustment
Internal Connections	$27,258	$0	$27,258
Total Impact	**$27,258**	**$0**	**$27,258**

KPMG recommends that the Beneficiary implement procedures to adequately monitor and verify equipment purchases are properly installed by the required deadline or that funds for unused equipment are returned to USAC timely.

**Note: The recommended recovery is $0 because there were no disbursements for the impacted FRN as of October 15, 2019. However, USAC confirmed that a disbursement of $27,258 was made as of the date of this report and will therefore be included in the recommended recovery.*

Attachment C

SL2019BE023

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

ROGUE RIVER SCHOOL DISTRICT #35

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

USAC AUDIT NO. SL2019BE023

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Contents

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
ROGUE RIVER SCHOOL DISTRICT #35
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES

Executive Summary

November 23, 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 Rogue River School District #35 (Beneficiary), Billed Entity Number (BEN) 145059, 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 three detailed audit findings discussed in the Audit Results and Recovery Action section below. 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 that the Beneficiary did not comply with the Rules, as set forth in the three detailed audit findings discussed below.

Audit Results	Monetary Effect[1]	Overlapping Recovery[2]	Recovery Action[3]	Downward Commitment Adjustment
Finding No. 1, 47 C.F.R. §54.504(a)(1)(iii) (2016) – Lack of Necessary Resources to Make Effective Use of Services and Equipment. The Beneficiary did not use all of the Category 2 (C2) equipment for which it received SLP funding.	$17,774	$0	$17,774	$0
Finding No. 2, 47 C.F.R. §54.502(b) (2016) – Beneficiary Inaccurately Calculated Category 2 Budget. The Beneficiary used inaccurate enrollment numbers in calculating its Funding Year (FY) 2017 C2 budgets.	$4,292	$4,292	$0	$4,292

[1] The monetary effect column represents the actual dollar effect of the finding without taking into account any recovery that overlaps between findings. The total in this column may therefore be more than the amount that was committed and disbursed to the Beneficiary.

[2] The overlapping recovery column represents disbursements that have already been recommended for recovery in a previous finding and therefore should not be recovered as part of the current finding unless funds are not recovered for the previous overlapping recovery.

[3] Amounts in the recovery column may be less than the amounts reported for individual findings because we have eliminated overlapping recovery amounts to avoid duplicative recoveries.

Audit Results	Monetary Effect[1]	Overlapping Recovery[2]	Recovery Action[3]	Downward Commitment Adjustment
Finding No. 3, 47 C.F.R. §54.513(d) (2016) – Failure to Notify USAC of Equipment Transferred to a Location Not Requested in the FCC Form 471. The Beneficiary did not obtain USAC's approval before transferring equipment purchased under FRN 1799097969 to a different location.	$4,760	$0	$4,760	$0
Total Net Monetary Effect	**$26,826**	**$4,292**	**$22,534**	**$4,292**

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

- https://www.usac.org/wp-content/uploads/e-rate/documents/Tools/FY2020-C2-Budget-Tool-Instructions.pdf
- https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2020/01-21-2020-Category-2-Budget-Webinar-Slides.pdf
- https://www.usac.org/e-rate/applicant-process/before-youre-done/transfer-of-equipment/

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
1799097969	$22,534	$4,292

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the Rules for FY 2017. The Beneficiary is a school district located in Rogue River, Oregon that serves more than 800 students.

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

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$45,902	$45,902
Internet Access	$24,902	$24,902
Total	**$70,804**	**$70,804**

The "amount committed" total represents the two FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2017, which resulted in two Funding Request Numbers (FRNs). We selected both FRNs, which represent $70,804 of the funds committed and $70,804 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, direct observation, 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 selected a service provider that provided eligible services, 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. We examined the service provider contracts to determine whether they were properly executed. 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 provider submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary and service provider had properly invoiced USAC. Specifically, we reviewed service provider bills 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.

Detailed Audit Findings

Finding No. 1, 47 C.F.R. §54.504(a)(1)(iii) (2016)[4]– Lack of Necessary Resources to Make Effective Use of Services and Equipment

Condition

The Beneficiary did not use all of the C2 equipment for which it received SLP funding under FRN 1799097969. The Beneficiary identified unused equipment as follows:

Equipment	Quantity	Pre-discount Cost
Switches	5	$19,690
Stacking modules	4	1,530
Power supply	1	466
Cable	12	532
Total Equipment	**22**	**$22,218**

Most of this equipment was located in unopened boxes in a storage building and, therefore, was not installed by the service installation deadline, as required by the Rules. One of the switches had been installed but was not operating.

Cause

The Beneficiary did not have the necessary resources in place to effectively use the equipment. The Beneficiary stated that it had purchased the equipment at the advice of its technology

4 *See also* 47 C.F.R. §§54.507(d)(4), 54.504(a)(1)(v) (2016).

consultant; however, it did not have the manpower to install all of the equipment. The Beneficiary therefore put the remaining equipment in storage.

Effect
The monetary effect of this finding is $17,774 ($22,218 discounted by the Beneficiary's 80 percent discount rate). We are recommending recovery of this amount, as the Beneficiary was not using the equipment purchased primarily for educational purposes, as required by the Rules.

Support Type	Monetary Effect	Recommended Recovery
Internal Connections (FRN 1799097969)	$17,774	$17,774

Recommendation
We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.

2. The Beneficiary implement controls to ensure that it purchases SLP equipment on an as-needed basis (i.e., only within the funding year, or within the installation deadline for that funding year for C2 equipment, in which the services will be used primarily for educational purposes) and that it has sufficient resources available to install all equipment purchased.

Beneficiary Response
Rogue River School District acknowledges that not all the category two equipment was installed. Rogue River School District had contracted a new technology consultant in January of 2017 with a start date of July 2017 to replace our retiring technology director. The initial consultant contract was to run through June of 2018. The first order the new technology consultant recommended was the upgrading of Rogue River's switches and firewall purchased with E-rate dollars. In December of 2017, the district began to question the amount of equipment being purchased by the new technology consultant because the district was finding a large quantity of new equipment which had gone undeployed. After numerous failed attempts by the district to get the new technology consultant to get the purchasing of equipment under control the district informed the technology consultant that their services would no longer be required after June of 2018.

<u>Finding No. 2, 47 C.F.R. §54.502(b) (2016) – Beneficiary Inaccurately Calculated Category 2 Budgets</u>

Condition
The Beneficiary's FY 2017 C2 budget was based on inaccurate enrollment numbers. Specifically, the enrollment numbers that the Beneficiary reported on its FY 2017 FCC Forms 471 were not consistent with the student counts that the Beneficiary reported in its food service software, Mealtime, as of October 2016, as follows:

School	Enrollment per FCC Form 471	Enrollment per October 2016 Mealtime Report
East Elementary	281	251
West Elementary	413	204
Junior/High	373	362
Total Students	**1,067**	**817**

The erroneous student enrollment numbers did not impact the Beneficiary's discount rates; however, they caused the Beneficiary to incorrectly calculate its C2 budget for each school in the district and to over-invoice SLP for pre-discounted costs in excess of its recalculated C2 budget for one school, as follows:

School	SLP Approved Budget Based on FCC Form 471	Revised C2 Budget Based on Enrollment Data[5]	Pre-Discounted Costs Requested and Committed as of FY 2017	Pre-Discounted Costs Over/ (Under) Revised C2 Budget
East Elementary	$43,125	$38,521	$33,637	($4,884)
West Elementary	$63,383	$31,308	$36,673	$5,365
Junior/High	$57,244	$55,556	$50,805	($4,751)

Cause
The Beneficiary did not have sufficient internal controls in place to ensure that the funding data it submitted to USAC was based on accurate and properly documented information. The Beneficiary's representative stated that he was not required to input enrollment data in USAC's E-rate Productivity Center (EPC) system when completing the FCC Form 471 and, because the system had automatically generated the correct discount rate, the representative assumed that the system had also automatically and accurately updated the enrollment information and he, therefore, did not verify the enrollment information.

Effect
The monetary effect for this finding is $4,292 ($5,365 multiplied by the Beneficiary's 80 percent discount rate). This amount represents the discounted amount invoiced by the Beneficiary in excess of the discounted amount of the Beneficiary's revised C2 budget for West Elementary.

[5] Enrollment per October 2016 Mealtime Report multiplied by the FY 2017 C2 budget factor of $153.4695.

Support Type	Monetary Effect	Recommended Recovery	Downward Commitment Adjustment
Internal Connections (FRN 1799097969)	$4,292	$4,292	$4,292
Total	**$4,292**	**$4,292**	**$4,292**

Recommendation
We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above and issue a downward commitment adjustment for the same amount, if appropriate.

2. The Beneficiary implement controls to ensure that it provides USAC with accurate and properly supported data.

Beneficiary Response
The district accepts this finding with no issues. However, the district would like to pass the following information along to USAC. Rogue River pointed out that the year being audited was the first year in which the new EPC portal was placed into service. The new EPC portal only displays the percentage of student [sic] *on free and reduced lunch when the user inputs the [FCC Form] 471. The district thought the new system was automatically pulling student enrollment from some source since the percentage of free and reduced student* [sic] *was being displayed at 65% which corresponded to the percentage of free and reduced student* [sic] *the district had enrolled. The district was never asked at any point to input or verify student counts. Only after the district received notice of the audit several years later did the district even realize the EPC system does not pull in student counts automatically. In addition, the district learned you have to change student counts under the entity information which can not be accessed while the [FCC Form] 470 and [FCC Form] 471 filling windows are open. The district also learned from conversations with several neighboring districts that they were also under the impression EPC automatically pulled in the student count information. The district also pointed out they had made several calls to USAC helpline during the filling* [sic] *process and watched the training videos for EPC and were not informed of this method for student count input. USAC really needs to address this issue and inform people of the need to update student counts annually and the location within the system to do this. The current system really is setting up people for failure. I will also point out that not one single neighboring district I talked to knew how to change the student counts in the EPC system.*

Finding No. 3, 47 C.F.R. §54.513(d) (2016) – Failure to Notify USAC of Equipment Transferred to a Location Not Requested in the FCC Form 471

Condition

The Beneficiary did not obtain USAC's approval before transferring equipment purchased under FRN 1799097969 to a different location. Specifically, the Beneficiary transferred switches and access points with a total pre-discounted cost of $5,950 from a storage location to South Valley Academy, which opened in late 2018 and was not among the recipients of services listed in the Beneficiary's FCC Form 471 for this FRN. Furthermore, the location in the FCC Form 471 in which the equipment was originally requested was not temporarily or permanently closed.

Cause

The Beneficiary did not demonstrate sufficient knowledge regarding the Rules as they relate to the transfer of equipment.

Effect

The monetary effect of this finding is $4,760 ($5,950 discounted by the Beneficiary's 80 percent discount rate). We are recommending recovery of this amount, as the Beneficiary did not make effective use of the equipment purchased during FY 2017 and later transferred the equipment to an ineligible location.

Support Type	Monetary Effect	Recommended Recovery
Internal Connections (FRN 179909769)	$4,760	$4,760

Recommendation

We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.

2. The Beneficiary gain an understanding of the Rules as they relate to the transfer of E-rate equipment.

Beneficiary Response

The moving of equipment was really a function of finding one as the district had opened a new school and had unused equipment that was securely stored new in the box so the district deployed the equipment to the new school. The district did not know they had to inform USAC they were moving equipment within the district and this was a failure on the districts [sic] *part to know this rule.*

Criteria

Finding	Criteria	Description
1	47 C.F.R. §54.504(a)(1)(iii) (2016)	*The entities listed on the FCC Form 471 application have secured access to all of the resources, including computers, training, software, maintenance, internal connections, and electrical connections, necessary to make effective use of the services purchased, as well as to pay the discounted charges for eligible services from funds to which access has been secured in the current funding year. The billed entity will pay the non-discount portion of the cost of the goods and services to the service provider(s).*
1	47 C.F.R. §54.507(d)(4) (2016)	*The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year.*
1	47 C.F.R. §54.504(a)(1)(v) (2016)	***(v)** The services the school, library, or consortium purchases at discounts will be used primarily for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value, except as allowed by §54.513.*
2	47 C.F.R. §54.502(b) (2016)	*(b) Funding Years 2015-2019* *(1)Each eligible school or library shall be eligible for a budgeted amount of support for category two services over a five-year funding cycle. Excluding support for internal connections received prior to funding year 2015, each school or library shall be eligible for the total available budget less any support received for category two services in the prior four funding years.* *(2) School budget. Each eligible school shall be eligible for support for category two services up to a pre-discount price of $150 per student over a five year funding cycle. Applicants shall provide the student count per school, calculated at the time that the discount is calculated each funding year. New schools may estimate the number of students, but shall repay any support provided in excess of the maximum budget based on student enrollment the following funding year. …* *(5) Requests. Applicants shall request support for category two services for each school or library based on the number of students per school building or square footage per library building. Category two funding for a school or library may not be used for another school or library. If an applicant*

Finding	Criteria	Description
		requests less than the maximum budget available for a school or library, the applicant may request the remaining balance in a school's or library's category two budget in subsequent funding years of a five year cycle. The costs for category two services shared by multiple eligible entities shall be divided reasonably between each of the entities for which support is sought in that funding year.
3	47 C.F.R. §54.513(d) (2016)	*Eligible services and equipment components of eligible services purchased at a discount under this subpart shall not be transferred, with or without consideration of money or any other thing of value, for a period of three years after purchase, except that eligible services and equipment components of eligible services may be transferred to another eligible school or library in the event that the particular location where the service originally was received is permanently or temporarily closed. If an eligible service or equipment component of a service is transferred due to the permanent or temporary closure of a school or library, the transferor must notify the Administrator of the transfer, and both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years.*

Cotton & Company LLP

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

Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: February - March 2021

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Brunswick County Schools **Attachment D**	2	• Inadequate Discount Calculation Process – Used an Alternative Mechanism that is Not Federally Approved: The Beneficiary calculated its discount rate using an unapproved methodology.	$751,075	$105,035	$101,653	$109,969	N
Ector County Independent School District **Attachment E**	1	• No significant findings.	$3,235,808	$578	$0	$578	N
Fayette County School District **Attachment F**	1	• No significant findings.	$1,766,538	$3,403	$3,403	$0	N
Fort Zumwalt School District **Attachment G**	3	• Failure to Notify USAC of Equipment Transferred to a Location Not Requested in the FCC Form 471.The Beneficiary did not notify and obtain USAC's approval before transferring access	$159,211	$23,411	$20,793	$0	Y

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
		points purchased under FRN1799095684 to unauthorized locations.					
Network Engineering Services **Attachment H**	0	• Not applicable.	$154,909	$0	$0	$0	N
Newark School District **Attachment I**	0	• Not applicable.	$1,983,380	$0	$0	$0	N
North St. Paul-Maplewood School District **Attachment J**	1	• No significant findings.	$1,017,861	$7,443	$7,443	$0	N
Total	**8**		**$9,068,782**	**$139,870**	**$133,292**	**$110,547**	

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

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

Attachment D

SL2019BE032

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

BRUNSWICK COUNTY SCHOOLS

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

USAC AUDIT NO. SL2019BE032

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Universal Service Administrative Company
Brunswick County Schools
Compliance with the Federal Universal Service Fund
Schools and Libraries Support Mechanism Rules

Executive Summary

February 9, 2021

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 Brunswick County Schools (Beneficiary), Billed Entity Number (BEN) 208677, 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, and 2) data used to calculate the discount percentage and the type and amount of services received. 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 two detailed audit findings, discussed in the Audit Results and Recovery Action section below. 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 that the Beneficiary did not comply with the Rules, as set forth in the two detailed audit findings discussed below.

Audit Results	Monetary Effect[1]	Overlapping Recovery[2]	Recovery Action[3]	Downward Commitment Adjustment
Finding No. 1, 47 C.F.R. § 54.505(b)(1) (2016) – Inadequate Discount Calculation Process – Used an Alternative Mechanism that is Not Federally Approved. The Beneficiary calculated its discount rate using an unapproved methodology.	$94,888	$0	$94,888	$99,822
Finding No. 2, 47 C.F.R. § 54.504(a)(1)(ix) (2016) – Failure to Comply with Competitive Bidding Requirements – Beneficiary Did Not Demonstrate Services Selected Were Cost Effective. The Beneficiary was unable to provide evidence that it evaluated the cost-effectiveness of the rates billed for its Funding Year (FY) 2017 cellular service.	$10,147	$3,382	$6,765	$10,147
Total Net Monetary Effect	**$105,035**	**$3,382**	**$101,653**	**$109,969**

[1] The monetary effect column represents the actual dollar effect of the finding without taking into account any recovery that overlaps between findings. The total in this column may therefore be more than the amount that was committed and disbursed to the Beneficiary.

[2] The overlapping recovery column represents disbursements that have already been recommended for recovery in a previous finding and therefore cannot be recovered as part of the current finding.

[3]Amounts in the recovery column may be less than the amounts reported for individual findings because we have eliminated overlapping recovery amounts to avoid duplicative recoveries.

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 also refers the Beneficiary to our website for additional resources. Various links are listed below:

- https://www.usac.org/e-rate/applicant-process/applying-for-discounts/calculating-discounts/
- https://www.usac.org/e-rate/applicant-process/competitive-bidding/
- https://www.usac.org/e-rate/learn/webinars/ (Click "E-rate Office Hour: FCC Form 470 and Competitive Bidding")

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
1799072559	$77,735	$77,735
1799072889	$1,206	$1,206
1799072987	$16,264	$24,351
1799072639	$3,501	$3,501
1799072588	$1,947	$1,947
1799072906	$1,000	$1,229
Total	**$101,653**	**$109,969**

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with the Rules for FY 2017. The Beneficiary is a school district located in Bolivia, North Carolina that serves more than 12,000 students.

The following chart summarizes the SLP support amounts committed and disbursed to the Beneficiary for FY 2017 as of January 23, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	$699,617	$699,617
Voice	$68,487	$51,458
Total	**$768,104**	**$751,075**

The "amount committed" total represents one FCC Form 471 *Description of Services Ordered and Certification* application submitted by the Beneficiary for FY 2017 that resulted in seven Funding Request Numbers (FRNs). We selected a sample of three of the FRNs, which represent $745,848 of the funds committed and $731,731 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, direct observation, and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which 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. Reimbursement Process
We obtained and examined service invoices that the Beneficiary and service provider submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary and service provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR and SPI forms for services provided to the

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

Detailed Audit Findings

Finding No. 1, 47 C.F.R. § 54.505(b)(1) (2016)[4] – Inadequate Discount Calculation Process – Used an Alternative Mechanism that is Not Federally Approved

Condition

The Beneficiary calculated its discount rate using a methodology that was not a federally-approved alternative. Specifically, in August 2015, the Beneficiary conducted a survey to identify the students that were eligible for free/reduced-price lunch. The Beneficiary then used the results of the survey to calculate each school's eligibility percentage by dividing the total number of students eligible for free/reduced-price lunch by the total number of students included in the survey. Based on this methodology, the Beneficiary calculated its eligibility percentage as 74.9 percent (3,999 eligible students out of 5,341 students surveyed). However, this methodology relied on projecting the survey results to the school's entire population, which is not allowed under the Rules.

The Beneficiary should have calculated its eligibility percentage by dividing the total number of students identified as eligible for free/reduced-price lunch by the total number of students enrolled. The Beneficiary's survey results documentation indicated that 7,559 students were eligible for free/reduced lunches under the National School Lunch Program (NSLP) and a total of 12,552 students were enrolled, for an eligibility percentage of 60.2 percent. Community Eligibility Provision (CEP) data for 2017 (per the U.S. Department of Agriculture website) supported a 61% eligibility percentage.

The Beneficiary claimed a discount rate of 90 percent for Category 1 services and 30 percent for voice services on its FY 2017 FCC Form 471 based on its erroneous eligibility percentage. We recalculated the Beneficiary's discount rates based on its actual eligibility percentage of 60.2 to 61 percent and determined that the rates should have been 80 percent for Category 1 services and 20 percent for voice services.

The 10 percent overstatement in the discount rates resulted in the following over-commitments and overpayments:

[4] *See also In the Matter of Modernizing the E-Rate Program for Schools and Libraries*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 13-184, 29 FCC Rcd. 8870, 8962, para. 230 (2014); 47 C.F.R. § 54.516(a)(1) (2016).

FRN	Service Type	Pre-Discount Commitment	Overstated Commitment	Pre-Discount Invoiced Amount	SLP Overpayment
1799072559	Internet Access	$777,352	$77,735	$777,352	$77,735
1799072889	Voice	$12,060	$1,206	$12,060	$1,206
1799072987	Voice	$142,044	$14,204	$94,987	$9,499
1799072639	Voice	$35,010	$3,501	$35,010	$3,501
1799072588	Voice	$19,472	$1,947	$19,472	$1,947
1799072906	Voice	$12,288	$1,229	$10,000	$1,000
Total			**$99,822**		**$94,888**

Cause
The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the calculation of discount rates. Because the E-rate administrator who performed the survey and calculated the claimed discount rate no longer works for the Beneficiary, the Beneficiary was unable to provide additional information regarding the cause of the errors.

Effect
The Beneficiary overstated its FY 2017 discount rates by 10 percentage points for all service types. The Beneficiary requested SLP funding to support pre-discounted costs of $998,226 and invoiced USAC a pre-discount total of $948,881 in eligible costs related to FY 2017 SLP services. As a result, the Beneficiary's overstatement caused USAC to over-commit $99,822 in funding and over-reimburse the Beneficiary by $94,888.

Support Type	FRN	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Data Transmission and/or Internet Access	1799072559	$77,735	$77,735	$77,735
Voice	1799072889	$1,206	$1,206	$1,206
Voice	1799072987	$14,204	$9,499	$14,204
Voice	1799072639	$3,501	$3,501	$3,501
Voice	1799072588	$1,947	$1,947	$1,947
Voice	1799072906	$1,229	$1,000	$1,229
Total		**$99,822**	**$94,888**	**$99,822**

Recommendations
We recommend that:

1. USAC management seek recovery and issue a downward commitment adjustment for the amounts identified in the Effect section above.

2. The Beneficiary implement stronger controls and training to ensure that its FCC Form 471 submissions comply with the Rules regarding discount rate calculations.

Beneficiary Response

We agree in Finding No. 1 that Brunswick County Schools did not calculate our discount rate on the alternative survey method spreadsheet accurately. The survey results were projected against the total number of students in the survey instead of the school's entire population. As a result of this miscalculation, we agree that the proper eligibility percentage should have been 60.2 resulting in an 80% discount instead of 90% discount on Category One and 20% instead of 30% on Category Two. Based on this finding, the use of the alternative survey method has proved to not be beneficial to Brunswick County Schools and therefore will not be used in the future.

Finding No. 2, 47 C.F.R. § 54.504(a)(1)(ix) (2016)[5] – Failure to Comply with Competitive Bidding Requirements – Beneficiary Did Not Demonstrate Services Selected Were Cost-Effective

Condition

The Beneficiary was unable to provide evidence that it evaluated the cost-effectiveness of the rates billed for its FY 2017 cellular voice service under FRN 1799072987. In the previous funding year (FY 2016), the service provider provided the Beneficiary a similar service at $35 per line, of which 89 percent, or $31.15, was eligible. The same service provider submitted the only responsive bid for FY 2017 cellular voice service; this bid included voice services, including data and/or text messaging services, at $46.49 per line, of which 49 percent, or $19.06, was eligible. However, the service provider billed the Beneficiary for FY 2017 month-to-month services using the rate that the Beneficiary and the service provider had previously negotiated for FY 2016 services.

In addition, the service provider billed the Beneficiary for push-to-talk services that the service provider had not included in either the FY 2016 or FY 2017 bids. The Beneficiary was unable to provide any documentation indicating that it had performed a cost-effectiveness evaluation for the push-to-talk services.

The Rules require the Beneficiary to select the most cost-effective service provider using price of eligible services as the primary factor. Because the cost of eligible services in FY 2017 ($19.06) is cheaper than the cost of eligible services in FY 2016 ($31.15), the Beneficiary was required to maintain evidence of how the selected voice service was cost-effective. Further, because the Beneficiary did not maintain documentation regarding its process for seeking and selecting push-to-talk services, the Beneficiary did not comply with the Rules governing document retention and, therefore, did not demonstrate the push-to-talk services were cost-effective.

As illustrated in the table below, we calculated total overcharged pre-discount costs of $33,824 based on: 1) the $26,885 difference between the amounts actually invoiced and the eligible costs that the service provider would have invoiced had it used the FY 2017 bid rates; and 2) the

[5] *See also* 47 C.F.R. § 54.516(a)(1) (2016).

$6,939 in charges for push-to-talk services that the Beneficiary did not demonstrate were cost-effective.

Invoice Date	Eligible Monthly Cost Based on FY 2017 Bid Rates	Eligible Monthly Cost at Billed Rates	Eligible Monthly Cost Difference	Push-to-Talk Services	Total Overcharge
Jul-17	$3,417	$5,585	$2,168	-	$2,168
Aug-17	$3,483	$5,692	$2,209	$488	$2,697
Sep-17	$3,504	$5,727	$2,223	$645	$2,868
Oct-17	$3,504	$5,727	$2,223	$645	$2,868
Nov-17	$3,591	$5,870	$2,279	$645	$2,924
Dec-17	$3,483	$5,692	$2,209	$645	$2,854
Jan-18	$3,570	$5,834	$2,264	$645	$2,909
Feb-18	$3,483	$5,692	$2,209	$645	$2,854
Mar-18	$3,591	$5,870	$2,279	$645	$2,924
Apr-18	$3,591	$5,870	$2,279	$645	$2,924
May-18	$3,570	$5,834	$2,264	$646	$2,910
Jun-18	$3,591	$5,870	$2,279	$645	$2,924
Total	**$42,378**	**$69,263**	**$26,885**	**$6,939**	**$33,824**

Cause
The Beneficiary did not have processes in place to ensure that it complied with SLP requirements and understood the SLP competitive bidding guidelines.

Effect
The Beneficiary was unable to demonstrate that the amounts paid for cellular services were reasonable and cost-effective. The total difference in eligible costs between the amounts invoiced to USAC and the amounts that the service provider would have invoiced had it used the rates proposed in its FY 2017 bid was $33,824. As a result, the monetary effect of this finding is $10,147 ($33,824 multiplied by the Beneficiary's claimed discount rate of 30 percent).

FRN	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
1799072987 (Voice)	$10,147	$10,147	$10,147
Total	**$10,147**	**$10,147**	**$10,147**

Recommendations
We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.

2. The Beneficiary implement procedures to ensure that it complies with the Rules regarding competitive bidding procedures.

Beneficiary Response

We agree with Finding No. 2 that Brunswick County Schools was unable to provide evidence that a formal evaluation occurred concerning the cost-effectiveness of the cellular voice services between new 2017 bids and current 2016 services pricing. However, we believe that we chose the most cost-effective service for Brunswick County Schools. The FY 2016 cost per phone was $35 per line, of which 89 percent, or $31.15, was eligible. The same service provider submitted a bid for FY 2017 at $46.49 per line, of which 49 percent, or $19.06, was eligible. Remaining costs to Brunswick County Schools is [sic] less with the FY 2016 option. In future filing years, documentation will be added to the bid evaluation process to include prior year costs for evaluating cost-effectiveness to provide evidence of all decisions.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.505(b)(1) (2016)	*For schools and school districts, the level of poverty shall be based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. School districts shall divide the total number of students eligible for the National School Lunch Program within the school district by the total number of students within the school district to arrive at a percentage of students eligible. This percentage rate shall then be applied to the discount matrix to set a discount rate for the supported services purchased by all schools within the school district. Independent charter schools, private schools, and other eligible educational facilities should calculate a single discount percentage rate based on the total number of students under the control of the central administrative agency.*
1	*In the Matter of Modernizing the E-Rate Program for Schools and Libraries*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 13-184, 29 FCC Rcd. 8870, 8962, para. 230 (2014)	*However, we are concerned that permitting schools to project the number of NSLP-eligible students may provide an artificially higher eligibility percentage. Therefore, in order to help protect against incentives to artificially inflate eligibility percentages, beginning with FY 2015, schools electing to use a school wide income survey to determine the number of students eligible for NSLP must calculate their discount based only [sic] the surveys returned by their students that demonstrate that those students would qualify for participation in the free and reduced school lunch program to determine the school's discount level.*

Finding	Criteria	Description
1,2	47 C.F.R. § 54.516(a)(1) (2016)	***(a)*** *Recordkeeping requirements -* ***(1)*** *Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.*
2	47 C.F.R. § 54.504(a)(1)(ix) (2016)	*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.*

COTTON & COMPANY LLP

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

Attachment E

SL2019BE045

Ector County Independent School District Audit ID: SL2019BE045 (BEN: 142077)

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: February 11, 2021

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

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EXECUTIVE SUMMARY

February 11, 2021

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 Ector County Independent School District, Billed Entity Number ("BEN") 142077, ("ECISD" or "Beneficiary") for disbursements of $3,235,808 and commitments of $10,483,346, 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 November 19, 2019 to February 11, 2021, and our results are as of February 11, 2021.

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 disbursements of $3,235,808 and commitments of $10,483,346 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 identified one finding as discussed in the Audit Results and Commitment Adjustment/Recovery Action section as a result of the work performed. Based on these results, we estimate that commitments made to the Beneficiary from the E-rate Program related to Funding Year 2018 were $578 higher than they should have been as a result of the finding.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate due to 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 February 11, 2021.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

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
BEN	Billed Entity Number
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
ECISD	Ector County Independent School District
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
FCC Form 479	Certification of Compliance with the Children's Internet Protection Act
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 December 30, 2019)
MIBS	Managed Internal Broadband Services
NSLP	National School Lunch Program
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery	Recommended Commitment Adjustment
SL2019BE049-F01: FCC Form 471 Block 4 Data Entry Error - The Beneficiary erroneously included a duplicate entity in Block 4 of the FCC Form 471.	$578	$ -	$578
Total Net Monetary Effect	**$578**	**$ -**	**$578**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the commitment adjustment amount. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the Beneficiary to our website for additional resources. Various links are listed below:

- https://www.usac.org/e-rate/applicant-process/before-you-begin/
- https://www.usac.org/e-rate/applicant-process/competitive-bidding/ministerial-clerical-errors/
- https://www.usac.org/e-rate/applicant-process/applying-for-discounts/fcc-form-471-filing/

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	Commitment Adjustment Amount
1899038188	$578

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 $10,483,346 and disbursements of $3,235,808 made for Funding Year 2018.

Beneficiary Overview

The Ector County Independent School District (BEN# 142077) is a school district located in Odessa, Texas that serves over 3,200 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
Telecommunications Services (Data Transmission Services)	$ 7,371,637	$ 460,132
Internet Access	$ 127,600	$ 127,600
Internal Connections	$ 2,984,109	$ 2,648,076
Total	**$ 10,483,346**	**$ 3,235,808**

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 3 FCC Form 471 applications with 8 FRNs. We selected 7 FRNs, which represent $10,470,867 or 99% of the funds committed and $3,235,808 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 $10,483,346 and disbursements of $3,235,808 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 commitments and 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, 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.

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 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 Visits**

   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 and equipment 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 and equipment provided to the Beneficiary. We verified that the services and equipment claimed on the SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

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**

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

RESULTS

KPMG's performance audit results include a listing of findings, recommendations and Beneficiary's responses with respect to the Beneficiary's compliance with FCC requirements, and an estimate of the monetary impact of such findings relative to 47 C.F.R. Part 54 applicable to Funding Year 2018 commitments and disbursements made from the E-rate Program. USAC management is responsible for any decisions and actions resulting from the findings or recommendations noted.

Findings, Recommendations and Beneficiary Responses

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

Finding No. 1 **SL2019BE049-F01: FCC Form 471 Block 4 Data Entry Error**

Condition The Beneficiary did not maintain an accurate listing of eligible entities receiving services and requesting reimbursement in the FCC Form 471 Category Two budget calculation. The Beneficiary erroneously included a duplicate entry of the Alternative Education Center, "Ector County Alter Educ Ctr", in Block 4 of the FCC Form 471 No. 181009999. While the Alternative Education Center is an eligible location, funds were committed and a Category Two budget was allocated to the duplicative entity listed.

Cause The Beneficiary did not have adequate controls in place to ensure that eligible entities were only included once within the FCC Form 471 submitted to USAC. The Beneficiary utilized an E-Rate consultant and did not identify the clerical error during their review of the FCC Form 471 No. 181009999 prior to its submission.

Effect Under FRN 1899038188, commitments made to the Beneficiary from the E-rate Program related to Funding Year 2018 were $578 higher than they should have been as a result of the finding (calculated as the undiscounted amount of $723 multiplied by the discount rate of 80 percent).

USAC did not disburse funds for the ineligible (duplicative) entity.

Recommendation	KPMG recommends that USAC management adjust the commitment amount as noted in the Effect section above. The Beneficiary should implement a thorough review process of all documents prepared by an E-rate consultant and submitted to USAC in order to verify their completeness and accuracy.
Beneficiary Response	Ector County Independent School District agrees with the finding of $578 due to the M&C error of a duplicate entity listed on the [FCC] Form 471. This has since been corrected.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. §54.504(a) (2017)	"An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart, shall, upon signing a contract for eligible services, submit a completed FCC Form 471 to the Administrator."
#1	47 C.F.R. §54.502(b)(2) (2017)	"Each eligible school shall be eligible for support for category two services up to a pre-discount price of $150 per student over a five year funding cycle. Applicants shall provide the student count per school, calculated at the time that the discount is calculated each funding year."
#1	*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6 Second Report and Order, 18 FCC Rcd. 9202, 9209-11, paras. 22-24 (2003).	"Duplicative services are services that deliver the same functionality to the same population in the same location during the same period of time. We emphasize that requests for discounts for duplicative services will be rejected on the basis that such applications cannot demonstrate, as required by our rules, that that they are reasonable or cost effective."

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified one finding on FCC Form 471 with Block 4 Data Entry Error. Detailed information relative to the finding is described in the Findings, Recommendations and Beneficiary Responses section above. The estimated monetary effect of these findings is as follows:

Service Type	Monetary Effect of Audit Results	Recommended Recovery	Recommended Commitment Adjustment
Internal Connections	$578	$ -	$578
Total Impact	**$578**	**$ -**	**$578**

KPMG recommends that the Beneficiary implement a thorough review process of all documents prepared by an E-rate consultant and submitted to USAC in order to verify their completeness and accuracy.

Attachment F

SL2019BE037

Available For Public Use

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

FAYETTE COUNTY SCHOOL DISTRICT

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

USAC AUDIT NO. SL2019BE037

Cotton & Company LLP
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
FAYETTE COUNTY SCHOOL DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES

Executive Summary

February 9, 2021

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 Fayette County School District (Beneficiary), Billed Entity Number (BEN) 128816 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 one detailed audit finding, discussed in the Audit Results and Recovery Action section below. 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 that the Beneficiary did not comply with the Rules, as set forth in the detailed audit finding discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	Recovery Action
Finding No. 1, 47 C.F.R. § 54.502(a) (2016) – Beneficiary Over-Invoiced SLP for Ineligible Services. The Beneficiary invoiced the SLP for ineligible voice service charges, including services that are not eligible per the SLP Eligible Services List (ESL), services that were not requested in the Beneficiary's FCC Form 471, and services billed for pre-discounted costs that exceeded the costs accounted for in the Beneficiary's documentation.	$3,403	$0	$3,403
Total Net Monetary Effect	**$3,403**	**$0**	**$3,403**

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the Beneficiary 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/eligible_services/story_html5.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
1799065291	$3,403

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 Lexington, Kentucky, that serves approximately 42,000 students.

The following chart summarizes the SLP support amounts committed and disbursed to the Beneficiary for Funding Year 2017 as of October 9, 2019, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$1,359,461	$1,208,048
Data Transmission and/or Internet Access	$499,970	$491,178
Voice	$71,757	$67,312
Total	**$1,931,188**	**$1,766,538**

The "amount committed" total represents six FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for Funding Year 2017 that resulted in 56 Funding Request Numbers (FRNs). We selected a sample of seven of the FRNs, which represent $686,022 of the funds committed and $672,953 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, direct observation, 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. 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 used 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 service provider bills 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 ESL.

Detailed Audit Finding

Finding No. 1, 47 C.F.R. § 54.502(a) (2016)[1] – Beneficiary Over-Invoiced SLP for Ineligible Services

Condition
The Beneficiary invoiced the SLP for the prediscounted costs of $17,015 in ineligible voice service charges under FRN 1799065291. Specifically, the service provider billings supporting BEAR Nos. 2740435 and 2861638 included $4,711 for the following ineligible charges:

(1) $3,667 for services that are not eligible per the SLP ESL.

Service	Pre-Discount Amount
Direct inward dialing	$1,489
Business stand-alone voicemail	358
Caller ID	1,712
Additional listing and three-way calling	26
Call forwarding	72
Late fees	23
Ineligible service adjustment on bills	(13)
Total	**$3,667**

(2) $1,044 for business Internet and wireless services that the Beneficiary did not request in its FCC Form 471 Application No. 171030200.

In addition, the service provider bills only included the total monthly price per line, the account numbers, and the phone numbers. We obtained the line item detail support from the Beneficiary to determine the specific services related to each of the summary items on the billings. However, we noted that the totals reported on the service provider bills used to invoice the SLP exceeded the totals reported on the Beneficiary's line item support by $12,304. Because the amount per the service provider bills exceeded the Beneficiary's line item support, the Beneficiary did not demonstrate that the pre-discounted costs of $12,304 included in the BEAR were for eligible services approved by SLP and committed to in the Funding Commitment Decision Letter (FCDL).

Cause
The Beneficiary did not have adequate internal controls and procedures in place to ensure that the BEARs it submitted for reimbursement were based on eligible service provider billings.

1 *See also* FCC Form 472 User Guide (April 2017).

Effect
The Beneficiary overstated its invoices to the SLP by the pre-discounted costs of $17,015. As a result, the monetary effect of this finding is $3,403 ($17,015 multiplied by the Beneficiary's 20 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Voice (FRN 1799065291)	$3,403	$3,403
Total	**$3,403**	**$3,403**

Recommendation
We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.

2. The Beneficiary implement controls and procedures to ensure that it only invoices the SLP for the cost of eligible services approved for funding in its FCDL.

Beneficiary Response
[The Beneficiary chose not to respond to this finding.]

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.502(a) 2016	*Supported services. All supported services are listed in the Eligible Services List as updated annually in accordance with paragraph (b) of this section. The services in this subpart will be supported in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms.*
1	FCC Form 472 (BEAR) User Guide Pg. 17 (April 2017)	Column (12) – Total (Undiscounted) Amount for Service per FRN *The total undiscounted amount represents the full cost of the services delivered on this FRN for the period indicated. You must deduct charges for any ineligible services, or for eligible services delivered for ineligible recipients or used for ineligible purposes. You should gather your customer bills and any other documentation you need to support your calculations.*
1	*Modernizing the E-Rate Program for Schools and*	*Eligible voice services are subject to an annual 20 percentage point phase down of E-rate support that began in FY 2015, as described in the E-rate Modernization Order.*

Finding	Criteria	Description
	Libraries, WC Docket No. 13-184, Order, 31 FCC Rcd. 9767 (2016) (FY2017 Eligible Services List)	*For FY 2017, the effective discount rate will be 60 percentage points less than other Category One services. The reduced discount rate for voice services will apply to all applicants and all costs for the provision of telephone services and circuit capacity dedicated to providing voice services including: • Centrex • Integrated Services Digital Network (ISDN) • Interconnected voice over Internet protocol (VoIP) • Local, long distance, and 800 (toll-free) service • Plain old telephone service (POTS) • Radio loop • Satellite telephone service • Shared telephone service (only the portion of the shared services relating to the eligible use and location may receive discounts) • Wireless telephone service including cellular voice and excluding data and text messaging*

COTTON & COMPANY LLP

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

Attachment G

SL2019BE034

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

FORT ZUMWALT SCHOOL DISTRICT

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

USAC AUDIT NO. SL2019BE034

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FORT ZUMWALT SCHOOL DISTRICT
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
SCHOOLS AND LIBRARIES SUPPORT MECHANISM RULES

Executive Summary

March 1, 2021

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 Fort Zumwalt School District (Beneficiary), Billed Entity Number (BEN) 136949, 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 three detailed audit findings, discussed in the Audit Results and Recovery Action section below. 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 that the Beneficiary did not comply with the Rules, as set forth in the three detailed audit findings discussed below.

Audit Results	Monetary Effect[1]	Overlapping Recovery[2]	Recovery Action[3]
Finding No. 1, 47 C.F.R. §54.513(d) (2016) – Failure to Notify USAC of Equipment Transferred to a Location Not Requested in the FCC Form 471. The Beneficiary did not notify and obtain USAC's approval before transferring access points purchased under FRN 1799095684 to unauthorized locations.	$17,974	$0	$17,974
Finding No. 2, 47 C.F.R. § 54.507(d)(4) (2016) – Beneficiary Failed to Install Non-Recurring Services by Funding Year Deadline. The Beneficiary did not implement all of the Category 2 equipment for which it received funding under FRN 1799095684.	$4,363	$2,443	$1,920

[1] The monetary effect column represents the actual dollar effect of the finding without taking into account any recovery that overlaps between findings. The total in this column may therefore be more than the amount that was committed and disbursed to the Beneficiary.

[2] The overlapping recovery column represents disbursements that have already been recommended for recovery in a previous finding and therefore should not be recovered as part of the current finding unless funds are not recovered for the previous overlapping recovery.

[3] Amounts in the recovery column may be less than the amounts reported for individual findings because we have eliminated overlapping recovery amounts to avoid duplicative recoveries.

Audit Results	Monetary Effect[1]	Overlapping Recovery[2]	Recovery Action[3]
Finding No. 3, 47 C.F.R. § 54.502(b) (2016) – Beneficiary Inaccurately Calculated Category 2 Budget. The Beneficiary used incorrect data in its FCC Form 471 funding request, which caused it to inaccurately calculate its pre-discounted cost budget for Category 2 services.	$1,074	$175	$899
Total Net Monetary Effect	**$23,411**	**$2,618**	**$20,793**

USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. 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 also refers the applicant to our website for additional resources. Various links are listed below:

- https://www.usac.org/e-rate/applicant-process/before-youre-done/transfer-of-equipment/
- https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/
- https://www.usac.org/e-rate/applicant-process/applying-for-discounts/category-two-budget/

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
1799095684	$20,793

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 O'Fallon, Missouri that serves more than 18,000 students.

The following chart summarizes the SLP support amounts committed and disbursed to the Beneficiary for Funding Year 2017 as of October 14, 2019, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$43,076	$43,076
Internet Access	$122,949	$116,135
Total	**$166,025**	**$159,211**

The "amount committed" total represents three FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for Funding Year 2017 that resulted in three Funding Request Numbers (FRNs). We selected a sample of two of the FRNs, which represent $144,425 of the funds committed and $137,611 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, direct observation, 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 selected a service provider that provided eligible services, 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. We examined the service provider contracts to determine whether they were properly executed. 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 used the funding in an effective manner.

E. Reimbursement Process
We obtained and examined equipment and service invoices that the Beneficiary submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary 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.

Detailed Audit Findings

Finding No. 1, 47 C.F.R. § 54.513(d) (2016) – Failure to Notify USAC of Equipment Transferred to a Location Not Requested in the FCC Form 471

Condition
The Beneficiary did not notify and obtain USAC's approval before transferring access points purchased under FRN 1799095684 to unauthorized locations. Specifically, the Beneficiary transferred 103 of the 178 access points to schools other than those identified in the Beneficiary's FCC Form 471 request for funding. The table below identifies the transferred access points based on a comparison of the FCC Form 471 to the Beneficiary's fixed asset list (FAL).

Entity Name	Per FCC Form 471	Per FAL	Transferred from Requested Location	Pre-Discounted Cost
Dardenne Elementary School	8	35		
Dubray Middle School	0	15		
Emge Elementary School	9	10		
Flint Hill Elementary School	4	0	4	$1,396
Forest Park Elementary School	10	6	4	$1,396
Fort Zumwalt East High School	11	23		
Fort Zumwalt North High School	9	0	9	$3,141

Fort Zumwalt South High School	9	0	9	$3,141
Hawthorn Elementary School	5	4	1	$349
Hope High School	1	0	1	$349
J L Mudd Elementary School	10	31		
Lewis & Clark Elementary School	6	0	6	$2,094
Mid Rivers Elementary School	7	19		
Mount Hope Elementary School	8	19		
Ostmann Elementary School	11	13		
Pheasant Point Elementary School	9	1	8	$2,792
Progress South Elementary School	15	0	15	$5,235
Rock Creek Elementary School	9	0	9	$3,141
St. Peters Elementary School	6	0	6	$2,094
Twin Chimneys Elementary School	12	0	12	$4,188
West High School	9	0	9	$3,141
Westhoff Elementary School	10	0	10	$3,490
Location not identified on FAL	0	2		
TOTAL	**178**	**178**	**103**	**$35,947**

Cause
The Beneficiary stated that the access points it purchased with E-rate funding did not provide reliable Internet quality and speed; it therefore transferred the access points to schools that had less demanding Internet needs. As a result, the Beneficiary did not demonstrate sufficient knowledge regarding the Rules and regulations related to the transfer of SLP-funded equipment.

Effect
The Beneficiary installed pre-discounted costs of $35,947 of equipment in locations not requested in the FCC Form 471 and, therefore, not approved and committed to by SLP in the Beneficiary's Funding Commitment Decision Letter. The monetary effect of this finding is $17,974 ($35,947 multiplied by the Beneficiary's 50 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
FRN 1799095684 (Internal Connections)	$17,974	$17,974
Totals	**$17,974**	**$17,974**

Recommendation
We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.

2. The Beneficiary obtain an understanding of the Rules and regulations related to the transfer of equipment.

Beneficiary Response

The district acknowledges the access points were transferred without notifying USAC for approval. However, the District did maintain a fixed asset list of the location of the devices and they were moved to locations within the same eligible school district. Through our discussions, we recognize this would be an acceptable transfer under the current guidelines (as of 2019), so long as the district maintains detailed records documenting the transfer for a period of five years. However, that option was not in place in 2016, but equipment was maintained and utilized. Therefore, in lieu of a funding recovery process, the District proposes a statement of assurance to maintain the appropriate documentation and appropriately notify USAC of any required changes in advance going forward.

Finding No. 2, 47 C.F.R. § 54.507(d)(4) (2016)[4] – Beneficiary Failed to Install Non-Recurring Services by Funding Year Deadline

Condition

The Beneficiary did not implement all of the Category 2 equipment for which it received funding under FRN 1799095684. Specifically, during our site visit, we identified 23 access points that were included in the Beneficiary's FAL for East High School but that the Beneficiary had not installed, as well as one access point at Dubray Middle School and one access point at Emge Elementary School that were not in operation.

Cause

The Beneficiary did not adequately plan and assess its needs for the equipment and did not demonstrate sufficient knowledge regarding the Rules and regulations related to SLP-funded equipment.

Effect

The Beneficiary did not make effective use of the pre-discounted cost of $8,725 of equipment purchased using SLP funding (25 units at a cost of $349 per unit). The monetary effect of this finding is $4,363 ($8,725 multiplied by the Beneficiary's 50 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
FRN 1799095684 (Internal Connections)	$4,363	$4,363
Total	**$4,363**	**$4,363**

[4]Also, 47 C.F.R. § 54.504(a)(1)(iii) (2016).

Recommendation
We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.

2. The Beneficiary establish and implement controls to ensure that it makes E-rate equipment purchases based on its existing needs.

Beneficiary Response
The district acknowledges the access points were not installed within the designated deadline or deployed at the locations identified on [FCC] Form 471. The items were maintained in the fixed asset listing and kept available should additional coverage points be required, either at the identified locations or transfer locations if needed. In addition, the number of access points was determined based on the best available information at the time for the given locations. Therefore, in lieu of a funding recovery process, the District proposes to refine the asset allocation determination process for pre-bids through our Information Technology Department.

Finding No. 3, 47 C.F.R. § 54.502(b) (2016) – Beneficiary Inaccurately Calculated Category 2 Budget

Condition
The Beneficiary used incorrect data in its FCC Form 471 funding request form, which caused it to inaccurately calculate its pre-discounted cost budget for Category 2 equipment. Specifically, the student count that the Beneficiary reported in its Funding Year 2017 FCC Form 471 (Application No. 171042252) was 13,953, which was not consistent with the student count of 13,781 that the Beneficiary reported in its September 2016 National School Lunch Program (NSLP) Claim. As a result of this erroneous student enrollment data, the Beneficiary incorrectly calculated its budget for Category 2 funding for each school in the district. However, the Beneficiary only overspent the recalculated budget at Hope High School, as detailed below.

School	Budget Per FCC Form 471 Enrollment	Recalculated Budget	Total Pre-Discounted Costs for SLP Funded Category 2 Equipment as of FY 2017	Pre-Discount Spending Over Budget
Hope High School	$19,030	$16,114	$18,261	$2,147

Cause
The Beneficiary did not have sufficient internal controls in place to ensure that it maintained documentation of enrollment numbers to support its filings, or that it appropriately documented and verified the information that it used in the filings before submitting the information to USAC for funding purposes.

Effect
The Beneficiary overspent its corrected budget by $2,147. As a result, the monetary effect of this finding is $1,074 ($2,147 multiplied by the Beneficiary's 50 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
FRN 1799095684 (Internal Connections)	$1,074	$1,074	$1,074
Total	**$1,074**	**$1,074**	**$1,074**

Recommendation
We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.

2. The Beneficiary implement stronger controls to ensure that it accurately reports student enrollment data when completing its FCC Form 471 submissions.

Beneficiary Response
As noted in the District's provided documentation, Hope High School is an alternative high school location. Due to the unique structure of the school day at Hope, the students are not participants in the National School Lunch Program, so total enrollment was reported on [FCC] Form 471. It was our understanding at the time that this was the appropriate methodology given the school's designation and differences in reporting are likely due to this issue. Separately, in our audit exit meeting, it was noted that USAC has changed the enrollment reporting for 2021 to reflect a building's full enrollment in light of COVID. As such, in lieu of a funding recovery process, the District proposes to clarify procedures for reporting enrollment at this location going forward.

Auditor Response
Both the [FCC] Form 471 and the Beneficiary's September 2016 NSLP Claim included Hope High School's enrollment. Therefore, the issue that we identified in our audit finding was not the result of differences in reporting.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.513(d) (2016)	*Resale and transfer of services.* *(d) Eligible services and equipment components of eligible services purchased at a discount under this subpart shall not be transferred, with or without consideration of money or any other thing of value, for a period of three years after purchase, except that eligible services and equipment components of eligible services may be transferred to*

Finding	Criteria	Description
		another eligible school or library in the event that the particular location where the service originally was received is permanently or temporarily closed. If an eligible service or equipment component of a service is transferred due to the permanent or temporary closure of a school or library, the transferor must notify the Administrator of the transfer, and both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years.
2	47 C.F.R.§ 54.507(d)(4) (2016)	*(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year.*
2	47 C.F.R. § 54.504(a)(1)(iii) (2016**)**	*(iii) The entities listed on the FCC Form 471 application have secured access to all of the resources, including computers, training, software, maintenance, internal connections, and electrical connections, necessary to make effective use of the services purchased. The entities listed on the FCC Form 471 will pay the discounted charges for eligible services from funds to which access has been secured in the current funding year or, for entities that will make installment payments, they will ensure that they are able to make all required installment payments. The billed entity will pay the non-discount portion of the cost of the goods and services to the service provider(s).*
3	47 C.F.R. § 54.502(b) (2016)	*(b) Funding Years 2015-2019* *(1) Five year budget. Each eligible school or library shall be eligible for a budgeted amount of support for category two services over a five-year funding cycle. Excluding support for internal connections received prior to funding year 2015, each school or library shall be eligible for the total available budget less any support received for category two services in the prior four funding years.* *(2) School budget. Each eligible school shall be eligible for support for category two services up to a pre-discount price of $150 per student over a five year funding cycle. Applicants shall provide the student count per school, calculated at the time that the discount is calculated each funding year. New schools may estimate the number of students, but shall repay any support provided in excess of*

Finding	Criteria	Description
		the maximum budget based on student enrollment the following funding year…. *(5) Requests. Applicants shall request support for category two services for each school or library based on the number of students per school building or square footage per library building. Category two funding for a school or library may not be used for another school or library. If an applicant requests less than the maximum budget available for a school or library, the applicant may request the remaining balance in a school's or library's category two budget in subsequent funding years of a five year cycle. The costs for category two services shared by multiple eligible entities shall be divided reasonably between each of the entities for which support is sought in that funding year.*

COTTON & COMPANY LLP

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

Attachment H

SL2019LS011

Available For Public Use

Network Engineering Services

Limited Scope Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules
USAC Audit No. SL2019LS011

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EXECUTIVE SUMMARY

January 5, 2021

Wesley K. Garland, President
Network Engineering Services
51 Cohen Walker Drive, Apt 1008
Warner Robins, GA 31088

Dear Mr. Garland:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Network Engineering Services (Service Provider), Service Provider Identification Number (SPIN) 143031620, for Funding Year 2017, 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 Service Provider's management. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the Rules based on the limited scope 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). 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 type and amount of services provided by the Service Provider to Schools and Libraries Program applicants (Beneficiary), as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider'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 Service Provider, 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

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

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

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

SCOPE
The following chart summarizes the Schools and Libraries Program support amounts committed and disbursed to the Service Provider for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$154,909	$154,909

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

The committed total represents one FCC Form 471 application with one Funding Request Number (FRN). AAD selected the one FRN which represents $154,909 of the funds committed and $154,909 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 application submitted by the Beneficiary.

BACKGROUND
The Service Provider provides professional audiovisual engineering and cabling to customers in the state of Georgia and its headquarters are located in Macon, Georgia.

PROCEDURES
AAD performed the following procedures:

A. Eligibility Process
AAD obtained an understanding of the Service Provider's processes and internal controls governing its participation in the Schools and Libraries Program. Specifically, AAD used inquiry of the Service Provider and the Beneficiary and examined documentation to determine whether controls exist to ensure equipment was eligible, delivered, and installed in accordance with the Rules. AAD used inquiry and examined documentation to determine whether the Service Provider assisted with the completion of the Beneficiary' FCC Form 470.

B. Competitive Bid Process
AAD used inquiry and examined documentation to determine whether the Service Provider participated in or appeared to have influenced the Beneficiary's competitive bidding process. AAD reviewed the Service Provider's contract with the Beneficiary to determine whether the contracts were properly executed. AAD evaluated the equipment requested and purchased to determine whether the Service Provider provided the equipment requested in the Beneficiary's FCC Form 471. AAD also examined documentation to determine whether the Service Provider offered the Beneficiary the lowest corresponding price charged for similar equipment to non-residential customers similarly situated to the Beneficiary.

C. Billing Process

AAD reviewed the FCC Form 474 Service Provider Invoices (SPIs) for which payment was disbursed by USAC to determine whether the equipment identified on the SPIs, and corresponding service provider bills, were consistent with the terms and specifications of the Service Provider's contract and eligible in accordance with the Schools and Libraries Program Eligible Services List. AAD also examined documentation to determine whether the Service Provider charged the Beneficiary the lowest corresponding price charged for similar equipment to non-residential customers similarly situated to the Beneficiary. In addition, AAD examined documentation to determine whether the Service Provider billed the Beneficiary for the non-discounted portion of eligible equipment purchased with universal service discounts and did not provide rebates, including free services or products.

D. Site Visit

AAD performed a virtual inventory to evaluate the location and use of equipment to determine whether it was delivered and installed and located in eligible facilities.

E. Reimbursement Process

AAD obtained and examined the SPIs submitted for reimbursement for the equipment delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed service provider bills associated with the SPIs for equipment provided to the Beneficiary. AAD determined whether the Service Provider issued credits on the service provider bills to the Beneficiary or whether the Service Provider remitted a check to the Beneficiary in a timely manner after receipt of the reimbursement payment from USAC.

Attachment I

SL2019BE039

Available For Public Use

Newark School District
Audit ID: SL2019BE039
(BEN: 122776)

Performance audit for the Universal Service Schools and Libraries Program Disbursements related to Funding Year 2018 as of October 8, 2019

Prepared for: Universal Service Administrative Company

As of Date: February 5, 2021

KPMG LLP
1021 East 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

February 5, 2021

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 Newark School District, Billed Entity Number ("BEN") 122776, ("NSD" or "Beneficiary") for disbursements of $1,983,380 and commitments of $3,188,685, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2019, as of October 8, 2019 (hereinafter "Funding Year 2018"). Our work was performed during the period from November 1, 2019 to February 5, 2021, and our results are as of February 5, 2021.

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 $3,188,685 and disbursements of $1,983,380 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.

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.

We noted other matters that we have reported to the management of the Beneficiary in a separate letter dated February 5, 2021.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

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
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 8, 2019).
MIBS	Managed Internal Broadband Services
NSD	Newark 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 was reduced by 20% and was reduced further by an additional 20% every subsequent funding year through Funding Year 2019 when voice services are no longer 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 $3,188,685 and disbursements of $1,983,380 made for Funding Year 2018.

Beneficiary Overview

The Newark School District (BEN# 122776) is a school district located in Newark, NJ that serves over 35,000 students across more than 60 schools.

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
Internal Connections	$1,709,742	$1,405,208
Internet Access	$1,427,760	$571,455
Voice Services	$44,466	$0
Basic Maintenance of Internal Connections	$6,717	$6,717
Total	**$3,188,685**	**$1,983,380**

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 8, 2019.

The committed total represents 4 FCC Form 471 applications with 7 FRNs. We selected 6 FRNs, which represent $3,180,045 or 99% of the funds committed and $1,983,380 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 $3,188,685 and disbursements of $1,983,380 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, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the E-rate Program for Funding Year 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. 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, site visit considerations and audit approach. Using an agreed upon sampling methodology, we selected 6 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 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. **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. **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 and equipment provided to the Beneficiary. We verified that the services and equipment claimed on the SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-rate Program Eligible Services List.

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 FRN(s) audited, as well as retained and provided the documentation requested in our other audit procedures.

9. **Final Risk Assessment**

   Based on the performance of the above audit procedures for the sampled FRNs, non-compliance was not detected during the audit. KPMG concluded that expansion of the scope of the audit was not warranted.

RESULTS

KPMG's performance audit procedures identified no findings.

<u>Findings, Recommendations and Beneficiary Responses</u>

KPMG's performance audit procedures identified no findings.

<u>Conclusion</u>

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 J
SL2019LR009

Available For Public Use

Universal Service Administrative Co.

North St. Paul - Maplewood School District

Limited Review Performance Audit on Compliance with the Federal Universal Service Fund Schools and Libraries Support Mechanism Rules

USAC Audit No. SL2019LR009

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EXECUTIVE SUMMARY

September 29, 2020

Christine Tucci Osorio, Superintendent
North St. Paul - Maplewood School District
2520 East 12th Avenue
North St. Paul, MN 55109

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of North St. Paul Maplewood-School District (Beneficiary), Billed Entity Number (BEN) 133560, using regulations and orders governing the federal Universal Service Schools and Libraries Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited review performance audit.

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

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) 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

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 and Recommended Recovery
Finding #1: 47 C.F.R. § 54.507(d)(4) – SLP Funded Equipment Not Installed by required Deadline. The equipment purchased through E-Rate Program funding was not installed by September 30, 2019.	$7,443
Total Net Monetary Effect	**$7,443**

USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. If there are other FRNs under the scope of the finding there will be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the applicant to our website for additional resources. Various links are listed below:

- https://www.usac.org/e-rate/applicant-process/before-youre-done/transfer-of-equipment/
- https://www.usac.org/e-rate/applicant-process/before-youre-done/service-delivery/

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
1899028961	$934
1899030216	$6,509
Total	**$7,443**

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 2018 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$984,628	$948,628
Internet Access	$33,254	$33,233
Total	**$1,017,882**	**$1,017,861**

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

The committed total represents two FCC Form 471 applications with seven Funding Request Numbers (FRNs). AAD selected three FRNs of the seven FRNs[1], which represent $1,010,548 of the funds committed and $1,010,548 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2018 applications submitted by the Beneficiary.

BACKGROUND
The Beneficiary is a public school district located in North St. Paul, MN that serves 10,528 students.

PROCEDURES
AAD performed the following procedures:

A. Application Process

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

[1] The FRNs included in the scope of this audit were: 1899022702, 1899028961, and 1899030216.

C. Competitive Bid Process
AAD obtained and examined documentation to determine whether all bids received were properly evaluated and price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected service providers.

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

E. 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 used in an effective manner.

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

DETAILED AUDIT FINDING

Finding #1: 47 C.F.R. § 54.507(d)(4) – SLP Funded Equipment Not Installed by required Deadline

CONDITION

AAD obtained and examined the Fixed Asset Listing (FAL) to select equipment for a physical site visit and determine whether the Beneficiary installed the requested internal connections equipment (i.e., non-recurring services) for FRNs 1899028961 and 1899030216. During AAD's site visits on September 24, 2019 to September 26, 2019 to seven schools within the North St. Paul – Maplewood School District (ISD 622), AAD observed that one transceiver/module and one network module werenot installed, operational, and located at the correct eligible locations. In addition, the Beneficiary informed AAD that a total of 15 access points were not installed and operational at two elemementary schools due to construction.

After September 30, 2019, AAD requested the Beneficiary to provide evidence (e.g., pictures) demonstrating that the equipment was installed at each school location. On January 22, 2020, the Beneficiary provided AAD with evidence (e.g., pictures) that the one transceiver/module, one network module, and 15 access points were installed at the respective school locations after September 30.[2] The pre-discounted cost of the equipment that was not installed is summarized below:

FRN	Equipment Type	Equipment Make and Model	Quantity A	Unit Price B	Total Price C = (A*B)
1899028961	Transceiver/module	10BASE-LRM SFP Module	1	$352	$352
	Network module	CISCO 9300 8 X 10GE Network Module	1	$816	$816
1899030216	Access Points (Castle Elementary)	CISCO AIR-AP3802I-BK910	5	$542.40	$2,712
	Access Points (Richardson Elementary)		10	$542.40	$5,424
		Total	**17**		**$9,304**

Because the Beneficiary did not provide documentation demonstrating that the equipment was installed by the required deadline and did not file a request with SLP for an extension of the implementation deadline, AAD concludes that the Beneficiary did not comply with FCC rules regarding the equipment installation deadline.

[2] Beneficiary response to Audit Inquiry (AIR #13) received on January 22, 2020.

CAUSE

The Beneficiary did not have adequate controls and processes in place to ensure that the SLP funded equipment requested and received was installed by the implementation deadline and effectively utilized, as required by the FCC rules.

EFFECT

The monetary effect of this finding is $7,443 ($9,304* the Beneficiary's 80 percent discount). This amount represents the discounted cost of the uninstalled switch components and access points, as summarized below:

FRN	Monetary Effect
1899028961	$934
1899030216	$6,509
Total	**$7,443**

RECOMMENDATION

AAD recommends USAC seek recovery of $7,443.

AAD recommends that the Beneficiary implement internal controls and procedures to ensure that internal connections equipment (i.e., non-recurring services) is installed and operational by the implementation deadline. In addition, AAD recommends that the Beneficiary files a request for an extension, if any delays are anticipated. Further, AAD recommends that the Beneficiary visit USAC's website at https://www.usac.org/e-rate/trainings/ to become familiar with the training materials and outreach available from SLP.

BENEFICIARY RESPONSE

FRN: 1899028961

Two small switch components (SFP module and network module) did not get installed prior to the September 30th installation deadline. District 622 will file for an extension of the due date in the future if we are in jeopardy of slipping past the September 30th deadline.

FRN: 1899030216

District 622 had two elementary school buildings that were under major construction and the e-rate equipment could not be installed in these two buildings because the data lines were not pulled by the low voltage contractor yet. District 622 will file for an extension of the due date in the future if we are in jeopardy of slipping past the September 30th deadline.

CRITERIA

Finding	Criteria	Description
#1	47 CFR § 54.507(d)(4)	The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: **(i)** The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; **(ii)** The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; **(iii)** The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or **(iv)** The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance.
#1	FCC Form 474 Instructions, Jul. 2013, OMB 3060-0856, at 2	The delivery period for recurring services is generally July 1 through June 30 of the following year; the period for non-recurring services is generally July 1 through September 30 of the following year.