Schools & Libraries Committee

Audit Report Briefing Book

Monday, July 26, 2021

Available For Public Use

Universal Service Administrative Company Offices

700 12th Street, NW, Suite 900

Washington, DC 20005

<u>*Summary of Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: April – May 2021*</u>

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Conterra Ultra Broadband, LLC **Attachment A**	0	• Not applicable.	$28,404,759	$0	$0	$0	N
Kent District Library **Attachment B**	0	• Not applicable.	$674,718	$0	$0	$0	N
Galveston Independent School District **Attachment C**	0	• Not applicable.	$422,043	$0	$0	$0	N
The School District of Volusia County **Attachment D**	4	• <u>Service Provider Over-Invoiced SLP by Not Deducting Rebates, Credits or Free Services from the SPI</u>: The Service Provider did not credit SLP for equipment that was returned by the Beneficiary. • <u>Service Provider Over-Invoiced SLP for Ineligible Services</u>: The Service Provider invoiced SLP for an amount that did not represent the undiscounted cost of services delivered to the Beneficiary.	$3,159,520	$175,971	$175,971	$0	Y

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Total	**4**		**$32,661,040**	**$175,971**	**$175,971**	**$0**	

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

SL2020SP003

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

CONTERRA ULTRA BROADBAND, LLC

COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND E-RATE SUPPORT MECHANISM RULES

USAC AUDIT NO. SL2020SP003

Cotton & Company LLP
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
CONTERRA ULTRA BROADBAND, LLC
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
E-RATE SUPPORT MECHANISM RULES

Executive Summary

May 7, 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 Conterra Ultra Broadband, LLC (Service Provider), Service Provider Identification Number (SPIN) 143025700, for Funding Year (FY) 2017 using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of Service Provider management. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC 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, evidence supporting the type and amount of services that the Service Provider provided to E-Rate applicants in the states of Arkansas, Arizona, Maine, North Carolina, New Mexico, Pennsylvania, Texas, and Virginia (selected Beneficiaries). It also included performing other procedures we considered necessary to make a determination regarding the Service Provider's compliance with the FCC 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 did not disclose any areas of non-compliance with the FCC 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 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

Based on the test work performed, our examination did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with the FCC Rules for FY 2017. The Service Provider is an organization that provides network services to customers in the South and West regions of the country. Its headquarters is located in Charlotte, North Carolina.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider as of September 3, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	$29,346,891	$28,403,224
Voice	$1,535	$1,535
Total	**$29,348,426**	**$28,404,759**

The "amount committed" total represents 50 FCC Form 471 *Description of Services Ordered and Certification* applications submitted by Beneficiaries for FY 2017 that resulted in 91 Funding Request Numbers (FRNs). We selected a sample of 25 of the FRNs, which represent $5,815,422 of the funds committed and $5,615,151 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

A. Eligibility Process

We conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether services were eligible and had been delivered and installed in accordance with the FCC Rules. We obtained an understanding of the Service Provider's operations and background. Specifically, we reviewed the Service Provider's FCC Forms 473, *Service Provider Annual Certification,* and 498, *Service Provider Identification Number and General Contact Information Form,* to determine whether they were complete and accurate. We also conducted inquiries and examined documentation to determine if the Service Provider was eligible to perform the services, as well as to obtain general background information.

B. Competitive Bid Process

We reviewed the Service Provider's contracts with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the services requested and purchased to determine whether the services provided by the Service Provider matched those requested in the selected Beneficiaries' FCC Form 471 documents.

C. Billing Process

We reviewed the FCC Forms 472, *Billed Entity Applicant Reimbursements (BEARs)*, and FCC Forms 474, *Service Provider Invoices (SPIs)*, for which USAC disbursed payment to determine whether the services identified on the BEARs and SPIs and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider's contracts and were eligible in accordance with the E-Rate Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged for similar services purchased with Universal Service discounts and did not provide rebates, including free services or products.

D. Reimbursement Process

We obtained and examined the BEARs and SPIs that the selected Beneficiaries and Service Provider submitted to USAC for reimbursement for the services delivered to the selected Beneficiaries and performed procedures to determine whether the Beneficiaries and Service Provider had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the BEAR and SPI forms for services provided to the selected Beneficiaries. We determined whether, if applicable, the Service Provider issued credits on its bills to the selected Beneficiaries and whether the Service Provider remitted checks to the selected Beneficiaries within 20 days of receiving the reimbursement payment from USAC.

COTTON & COMPANY LLP

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

Attachment B

SL2020LS005

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PERFORMANCE AUDIT

KENT DISTRICT LIBRARY

COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND E-RATE SUPPORT MECHANISM RULES

USAC AUDIT NO. SL2020LS005

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
KENT DISTRICT LIBRARY
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND E-RATE SUPPORT MECHANISM RULES

Executive Summary

March 31, 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 Kent District Library (Beneficiary), Billed Entity Number (BEN) 131573, using regulations and orders governing the federal Universal Service Fund E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our 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 FCC 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 did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

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

Based on the test work performed, our examination did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2018. The Beneficiary is a public library system located in Comstock Park, Michigan that serves nearly 400,000 residents of 27 governmental units.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2018 as of September 11, 2020, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$332,219	$203,350
Internet Access	$681,977	$471,369
Total	**$1,014,195**	**$674,718**

The "amount committed" total represents two FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiary for FY 2018 that resulted in seven Funding Request Numbers (FRNs). We selected a sample of three of the FRNs, which represent $853,759 of the funds committed and $628,237 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 E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We performed inquiries and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

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

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

D. Virtual Site Visit

We performed a physical inventory through a virtual site visit to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC 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 forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR 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 E-Rate program Eligible Services List.

COTTON & COMPANY LLP

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

Attachment C

SL2020LS001

Available For Public Use

Galveston Independent School District

Limited Scope Performance Audit on Compliance with the Federal Universal Service Fund E-Rate Support Mechanism Rules
USAC Audit No. SL2020LS001

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Universal Service Administrative Co.

EXECUTIVE SUMMARY

February 19, 2021

Dr. Jerry Gibson, Superintendent of Schools
Galveston Independent School District
3904 Avenue T
Galveston, TX 77550

Dear Dr. Gibson,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the Galveston Independent School District's (Beneficiary), Billed Entity Number (BEN) 141339, compliance with the Federal Communication Commission's (FCC) 2017 E-rate Emergency Relief Order (*Hurricane Relief Order*) and the related regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on its limited scope performance audit.

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

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 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 competitive bidding process undertaken to select service providers, physical inventory of equipment purchased and maintained, examining evidence supporting the Beneficiary secured access to all the resources necessary to make effective use of the services or equipment purchased, as well as

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[1] *In the Matter of Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 32 FCC Rcd 9538, 9542, para. 9 (Oct. 30, 2017).
[2] *Id.* at 9548, para. 20.

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, AAD's examination did not disclose any areas of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

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

Sincerely,

Teleshia Delmar

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Craig Davis, USAC Vice President, E-Rate Division

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for *Hurricane Relief Order* support for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	$422,043	$422,043

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,[3] which represents $422,043 of the funds committed and $422,043 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the Beneficiary for *Hurricane Relief Order* support.

BACKGROUND

The Beneficiary, which is a Directly Impacted Applicant, is a school district located in Galveston, Texas that serves approximately 7,000 students. Galveston County was designated by the Federal Emergency Management Agency (FEMA) as eligible for individual disaster assistance and the Beneficiary certified that it had incurred substantial damage to E-rate eligible services and equipment as a result of the Hurricanes.

PROCEDURES

AAD performed the following procedures:

A. Eligibility Process

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

B. Competitive Bid Process

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

[3] The FRN included in the scope of this audit was 1799113690.

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

C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 474 Service Provider Invoice (SPI) and corresponding service provider bill 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 SPI form for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the SPI form and corresponding service provider bill were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-Rate Eligible Services List.

Attachment D

SL2019BE042

The School District of Volusia County
Audit ID: SL2019BE042
(BEN: 127575)

Performance audit for the Universal Service Schools and Libraries Program Commitments and Disbursements related to Funding Year 2018 as of October 10, 2019

Prepared for: Universal Service Administrative Company

As of Date: April 9, 2021

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

April 9, 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 School District of Volusia County, Billed Entity Number ("BEN") 127575, (Beneficiary) for disbursements of $3,159,520 and commitments of $3,999,640, made from the federal Universal Service Schools and Libraries Program related to the twelve-month period ended June 30, 2019, as of October 10, 2019 (hereinafter "Funding Year 2018"). Our work was performed during the period from November 12, 2019 to April 9, 2021, and our results are as of April 9, 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 $3,999,640 and disbursements of $3,159,520 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 four findings as discussed in the Audit Results and Recovery Action section as a result of the work performed. Based on the results, we estimate that disbursements made to the Beneficiary from the E-rate Program related to Funding Year 2018 were $175,971 higher than they would have been had the amounts been reported properly.

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

In addition, we also noted other matters that we have reported to the management of the Beneficiary in a separate letter dated April 9, 2021.

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
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 or FY 2018	The twelve-month period from July 1, 2018 to June 30, 2019 during which E-rate Program support is provided (as of October 10, 2019)
MIBS	Managed Internal Broadband Services
SLD	Schools and Libraries Division
SLP	Schools and Libraries Program
SP	Service Provider
SPI	Service Provider Invoice
USAC	Universal Service Administrative Company
USF	Universal Service Fund
WAP	Wireless Access Point

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect of Audit Results	Recommended Recovery
SL2019BE042-F01: SLP Funded Equipment Not Installed by Required Deadline – Wireless Access Points were not installed by September 30, 2019, and no Service Delivery Extension was filed.	$3,580	$3,580
SL2019BE042-F02: Service Provider Over-Invoiced SLP by Not Deducting Rebates, Credits or Free Services from the SPI – The Service Provider did not credit SLP for equipment that was returned by the Beneficiary.	$94,191	$0[1]
SL2019BE042-F03: Service Provider Over-Invoiced SLP for Ineligible Services – The Service Provider invoiced SLP for an amount that did not represent the undiscounted cost of services delivered to the Beneficiary.	$59,480	$0[1]
SL2019BE042-F04: Service Provider Over-Invoiced SLP for Services and Equipment Delivered to Ineligible Locations – The Service Provider invoiced SLP for ineligible locations.	$18,720	$18,720
Total Net Monetary Effect	**$175,971**	**$22,300**

[1] The recommended recovery for this finding has been reduced due to funds already returned to USAC by the Service Provider.

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 findings there will be additional recoveries and/or commitment adjustments. USAC will request the Service Provider and Beneficiary provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Service Provider and Beneficiary 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/service-providers/step-5-invoicing/
- https://www.usac.org/video/sl/sp/2019/advanced-invoicing/story_html5.html

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

FRN	Recovery Amount
1899048597	$1,432
1899047698	$1,432
1899048604	$48,637
1899047723	$26,440
1899024355	$19,830
1899061011	$78,200
Total	**$175,971**

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

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

USAC engaged KPMG to conduct a performance audit relating to the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 of the FCC's Rules as well as FCC Orders governing the E-rate Program that determined the Beneficiary's eligibility and resulted in commitments of $3,999,640 and disbursements of $3,159,520 made for Funding Year 2018.

Beneficiary Overview

The School District of Volusia County (BEN# 127575) is a school district located in DeLand, Florida that serves over 63,000 students during FY 2018.

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
Basic Maintenance of Internal Connections	$340,938	$0
Internal Connections	$2,944,942	$2,899,360
Internet Access	$713,760	$260,160
Total*	**$3,999,640**	**$3,159,520**

**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 10, 2019.

The committed total represents two FCC Form 471 applications with 25 FRNs. We initially selected 16 out of the 25 FRNs, which represent $3,224,068 or 80.61% of the total funds committed and $2,383,949 or 75.45% of the total 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 $3,999,640 and disbursements of $3,159,520 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, 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 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 16 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 the Beneficiary's effective use of funding. We also used inquiry to determine if any individual schools 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 related to internal connections, 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 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 FRNs excluded from the initial sample. We also considered whether any significant risks identified during the audit that may not have resulted in exceptions on the FRNs audited could affect the other FRNs. KPMG concluded that expansion of the scope of the audit was warranted. As such, KPMG expanded our sample to include all internal connections FRNs. We selected an additional 9 FRNs to perform invoice testing only as described in step 5 above.

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 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 four findings. The findings, including the condition, cause, effect, recommendation, and Beneficiary response are as follows:

Finding No. **SL2019BE042-F01: SLP Funded Equipment Not Installed by Required Deadline**

Condition For FRN Nos. 1899048597, 1899047698, and 1899048604 based on our onsite physical inspection of equipment, we noted Wireless Access Points (WAPs) were not installed at the following schools:

FRN	Location	Equipment	SPI No.	Quantity	Unit Price	Total Cost
1899048597	University High	WAP	2911772	2	$895	$1,790
1899047698	Silver Sands Middle	WAP	2911773	2	$895	$1,790
1899048604	Spruce Creek High	WAP	2911796	1	$895	$895
					Total Undiscounted	$4,475
					Total after Discount (80%)	$3,580

Cause The Beneficiary is still coordinating with the Service Provider to install the WAPs and plans the installation to be completed by July 2020.

Effect The total monetary impact of this finding is $3,580 disbursed under FRN Nos. 1899048597, 1899047698, and 1899048604. This represents the total cost of the 5 WAPs not installed multiplied by the 80% discount rate.

Recommendation KPMG recommends USAC management seek recovery of the amount noted in the Effect section above.

The Beneficiary should enhance their review process to ensure either all SLP funded assets are installed as of the September 30th deadline subsequent to each funding year or that a Service Delivery Extension Request is submitted prior to the installation deadline.

Beneficiary Response

The wireless access points identified above were not installed on time due to ongoing renovations to school buildings. The District is taking measures to ensure that equipment which has not been installed immediately will be properly tracked in the District equipment database to ensure that it may be installed immediately after the site is ready for installation. This situation met the guidelines to request a service delivery extension from USAC; however, the District failed to file the proper service delivery deadline extension requests with USAC by 09/30/2019.

The District now tracks installation deadlines for each funding commitment individually to verify that equipment is either installed before the deadline or that an FCC Form 500 has been submitted to request an extension of the service delivery deadline when appropriate.

KPMG Response

We acknowledge the written responses submitted by the Beneficiary, and note that the recommended recovery of the amount owed to USAC (stated above in the Effect) remains as an action item to be completed by the Beneficiary.

Finding No.

SL2019BE042-F02: Service Provider Over-Invoiced SLP by Not Deducting Rebates, Credits or Free Services from the SPI

Condition

For FRN Numbers listed below, the Beneficiary returned 57 switches totaling $117,739. The Service Provider refunded the non-discounted portion to the Beneficiary. However, as of the date of this report, the Service Provider had not subsequently reimbursed or credited USAC for the discounted portion associated with the returned equipment.

FRN	SPI No.	Quantity	Unit Price	Total Cost
1899024355	2911759	16	$2,066	$33,050
1899047723	2911776	29	$2,066	$59,902
1899048604	2911796	12	$2,066	$24,787
Total Price of Returned Equipment				$117,739
Total Credit Paid to Beneficiary after Discount				$23,548
Total Credit Amount Due to USAC				$94,191

Cause

The Service Provider did not have adequate review procedures in place to ensure timely identification of credits due back to USAC for returned equipment or other adjustments to the Beneficiary bills.

Effect

The monetary effect for this finding is $94,191. This amount represents the total cost of the returned switches in the amount $117,739, multiplied by the Beneficiary's 80% discount rate for FRN Nos. 1899047723, 1899048604, and 1899024355.

Recommendation

KPMG recommends USAC management seek recovery of the amount noted in the Effect section above.

The Service Provider should implement adequate controls and procedures to ensure timely notification and reimbursement to USAC for any returned equipment or other credit adjustments affecting prior SPI submissions.

Beneficiary Response

Volusia County Public Schools took the required steps to return equipment to the vendor when the District determined that the equipment would be unnecessary. The return was done in accordance with the requirements of the contract and documented by the process required by the vendor. The District received no improperly disbursed E-rate funding for the equipment that the District returned to the vendor.

The District did not receive a copy of the invoice submission by the vendor to USAC. The District is unaware of what, if any, documentation was provided to USAC by the vendor in the course of USAC's FCC Form 474 review process, so the District is unable to verify whether the vendor is requesting E-rate discount payment for equipment that was not installed or returned to the vendor.

The District agrees that equipment returned should be reconciled against any invoices to both the District and to USAC to verify that only services and goods received are invoiced and paid. Funds disbursed in error or due to equipment returns should be returned to USAC. In this situation, the return of funds to USAC is the responsibility of the service provider who submitted the SPI forms for payment.

Service Provider Response

Service Provider CDW Government LLC (CDW-G) does not agree with the "Cause" that there is a lack of adequate procedures.

CDW-G issued refunds to the Beneficiary (Volusia County Public Schools) on September 26, 2019 and October 1, 2019. The FRNs included other eligible items in addition to the returns. During that timeframe, CDW-G was actively engaged with USAC to address delayed reimbursements for all SPI FRNs. For one of the Beneficiary's FRNs at issue, CDW-G did not receive its reimbursement from USAC until April 22, 2020. CDW-G has now provided refunds to USAC for the equipment returned by the Beneficiary. Moreover, CDW-G and USAC have largely resolved reimbursement delays with regard to SPI invoices, so the delay in issuing a refund to USAC for this Beneficiary's equipment returns is not expected to recur.

CDW-G does in fact have procedures in place regarding equipment returns by SPI beneficiaries. The delay in issuing a refund to USAC was a one-time oversight complicated by the over all SPI review process in which CDW-G and USAC were engaged, rather than a systemic problem that would require additional or enhanced procedures. When a SPI beneficiary makes a return, it is CDW-G's practice to calculate and provide the refund to the beneficiary and USAC in no more than 30 days. In light of this beneficiary audit, CDW-G has reviewed its Accounts Receivable records regarding equipment returns by SPI beneficiaries and confirms that there are currently no outstanding credits or reimbursements owed to USAC.

KPMG Response

We acknowledge the written responses submitted by both the Beneficiary and Service Provider. Although the Service Provider may have procedures in place, they were insufficient in this instance. We further note the recommended recovery of the amount owed to USAC (stated above in the Effect) has been returned by the Service Provider. No further recovery is expected in relation to this noted finding.

Finding No.	**<u>SL2019BE042-F03: Service Provider Over-Invoiced SLP for Ineligible Services</u>**
Condition	Under FRN No. 1899061011, SPI No. 2833204, the Service Provider over-invoiced USAC for the undiscounted amount of $74,350 and was reimbursed $59,480. This invoice was submitted to USAC in error and, therefore, does not represent the undiscounted cost of services delivered to the Beneficiary. The Service Provider submitted a revised invoice (SPI No. 2870892) for the same month for the services delivered, however, the Service Provider did not refund USAC for the original invoice submitted in error.
Cause	The Service Provider did not have an adequate review process to verify the accuracy of SPI submissions and to ensure that duplicate bills are not submitted to SLP when revisions are needed.
Effect	The monetary impact of this finding is $59,480 related to FRN No. 1899061011. This represents the disbursement amount for the incorrect July 2018 invoice.
Recommendation	KPMG recommends USAC management seek recovery of the amount noted in the Effect section above. The Service Provider should enhance their review of SPI submissions to ensure the accuracy of the billing detail and to verify no duplication has occurred as part of any revised submissions.
Beneficiary Response	The District understands that ineligible funding for SPI invoices submitted to USAC in error or overbilled to USAC by the service provider must be returned to USAC by the service provider. The District will monitor FRN disbursements in effort to verify that USAC has only been billed by the service provider for E-rate eligible goods and services delivered to the District.
Service Provider Response	We agree that we invoiced USAC $59,480 on Invoice Number 2833204 for July 2018 service period and were paid $59,480 on the 7/17/2018 remittance from USAC. We agree that we submitted a revised Invoice Number 2870892 for July 2018 service period and were paid $43,360 on the 10/5/2018 remittance from USAC. The sum total of all remittance statements received for this FRN for July 1, 2018 – June 30, 2019 equals $561,080. The "Total Authorized Disbursement" from USAC's FRN Tool equals $501,600. We do not understand this discrepancy between the remittance statements as received, and the total amount as reflected on the FRN Tool. We would like to resolve this discrepancy so that we can facilitate the return of any additional funds collected in error.
KPMG Response	We acknowledge the written responses submitted by both the Beneficiary and Service Provider, and offer the following additional response: The monetary effect calculated above was based on the disbursement data provided to KPMG by USAC as of December 6, 2019. The total disbursed for this FRN as of that date was $561,080. If there have been any subsequent

adjustments to disbursements, USAC management will take that into consideration as part of any follow up they conduct once this report is released.

We further note the recommended recovery of the amount owed to USAC (stated above in the Effect) has been returned by the Service Provider. No further recovery is expected in relation to this noted finding.

Finding No. **SL2019BE042-F04: Service Provider Over-Invoiced SLP for Services and Equipment Delivered to Ineligible Locations**

Condition Under FRN No. 1899061011, the Service Provider invoiced SLP from July through December 2019 for service charges related to six ineligible locations. The ineligible locations were Chiles Academy, Volusia Regional Juvenile Detention Center, Halifax Health – Child & Adolescent Behavioral Center, Stewart Marchman Behavioral Health Treatment, Three Springs of Daytona and Pierson Elementary School. The first five locations were identified as ineligible by the Beneficiary in its FCC Form 471. Pierson Elementary School was determined to be ineligible because it was not in use during the funding year. The charges for these locations totaling $18,720 are shown in the table below.

SPI No.	Billed Month	Undiscounted Original Amount Invoiced to USAC	Corrected Undiscounted Invoice Amount	Over-billed to USAC (Discounted Amount)*
2870892	July	$54,200	$50,300	$3,120
2870893	August	$54,200	$50,300	$3,120
2870895	September	$54,200	$50,300	$3,120
2875431	October	$54,200	$50,300	$3,120
2884234	November	$54,200	$50,300	$3,120
2903109	December	$54,200	$50,300	$3,120
Total over-invoiced for ineligible locations				**$18,720**

* The difference between $54,200 and $50,300 ($3,900) multiplied by 80% discount rate.

Cause The Service Provider did not have an adequate review process to ensure that ineligible locations, as identified by the Beneficiary, were not included in the SPI submissions.

Effect The monetary impact of this finding is $18,720 related to FRN No. 1899061011. This represents the disbursement amount for ineligible locations.

Recommendation KPMG recommends USAC management seek recovery of the amount noted in the Effect section above.

The Service Provider should coordinate with USAC to return the funds and additionally recommends that the Service Provider enhance their review process to verify that only eligible locations and services are included in SPI submissions.

Beneficiary Response	The District did not request funding on the FCC Form 471 for the following sites Chiles Academy, Volusia Regional Juvenile Detention Center, Halifax Health – Child & Adolescent Behavioral Center, Stewart Marchman Behavioral Health Treatment, Three Springs of Daytona. Service to the locations should not have been invoiced by the service provider and subsequently paid by USAC. The District was not aware that these locations were on SPI invoices submitted by the [service] provider. The District requested E-rate funding for Pierson Elementary School at the time the FCC Form 471 was submitted. Pierson Elementary School relocated to a new site location in August 2018. During the time of service referenced in this finding, the original site did not have students. This site has since been repurposed as a District transportation facility. The District will remind the service provider(s) that only services to eligible locations can be invoiced to USAC and that invoices to USAC should match the recipients of service listed on the FCC Form 471. In addition if the District discovers that eligible sites are missing from the recipients of service for a funding request, the District will request the sites to be added via a Receipt Acknowledgment Letter (RAL) correction or USAC's site adjustment process.
Service Provider Response	Service Provider agrees that we will return $18,720 to USAC due to collection of funds for ineligible sites collected due to an oversight. This refund applies to FRN 1899061011. Service Provider would like to note that the ineligible sites were not noted on the FCC Form 471 as ineligible. We communicated with customer to identify the ineligible sites once we were made aware of the error, and we provided corrected invoices once ineligibles were correctly identified and removed from the discount calculation. We are in the process of refunding the $18,720 to USAC.
KPMG Response	We acknowledge the written responses submitted by both the Beneficiary and Service Provider, and note that the recommended recovery of the amount owed to USAC (stated above in the Effect) remains as an action item to be completed by the Service Provider.

Criteria

Finding	Criteria	Description
#1	47 C.F.R. § 54.507(d)(4) (2017)	"The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria: (i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized; (iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or (iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance."
#1	FCC Form 500 Instructions for Completing the Universal Service for Schools and Libraries Funding Commitment Adjustment Request Form, Item 8	"Service Delivery Extension Request: Complete this row if you wish to extend the deadline for service delivery and installation for non-recurring services. Applicants have three additional months after the end of the funding year (until September 30) to install one-time services known as non-recurring services. USAC may extend the September 30 deadline if the applicant falls within at least one of four designated circumstances: (1) applicants whose FCDLs are issued by the Administrator on or after March 1 of the funding year for which discounts are authorized; (2) applicants who receive service provider change or service substitution authorizations from the Administrator on or after March 1 of the funding year for which discounts are authorized; (3) applicants whose service providers are unable to complete implementation for reasons beyond the service provider's control; or (4) applicants whose service providers are unwilling to complete installation because funding disbursements are delayed while the Administrator investigates their application for program compliance. USAC automatically extends the service delivery deadline for non-recurring services if the reason for the extension are either (1) or (2). However, applicants must affirmatively request an extension of the September 30 deadline for either (3) or (4). Enter the FCC Form 471 application number and FRN, and certify by checking off the reason you are requesting the service delivery deadline extension. Note that the applicant must request

Finding	Criteria	Description
		an extension on or before the September 30 deadline. Granting an extension will not increase funding.”
#1	FCC’s 2003 Third Report and Order and Second Notice of Proposed Rulemaking, paras. 26, 30,	“Recipients of support are expected to use all equipment purchased with universal service discounts at the particular location, for the specified purpose for a reasonable period of time.” The FCC “decline[d] to institute useful life criteria for equipment purchased with universal service funds” and “address[ed] this issue by adopting a general prohibition on the transfer of equipment for a period of three years after purchase.”
#2	47 C.F.R. Section 54.523 (2017)	“An eligible school, library, or consortium must pay the nondiscount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.”
#3, #4	FCC Form 474, OMB 3060-0856 (Jul 2013), at 1 (FCC Form 474 Instructions)	“[t]he FCC Form 474, Service Provider Invoice Form, is to be completed and submitted by a service provider that has provided discounted eligible services to eligible schools and libraries, in order to seek universal service support in the amount of the discounts. The service provider must have provided the service and given a discounted bill to the applicant prior to submitting the Form 474.”

Conclusion

KPMG's evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54 identified four findings: SLP Funded Equipment Not Installed by Required Deadline; Service Provider Over-Invoiced SLP by not Deducting Rebates, Credits or Free Services from the SPI; Service Provider Over-Invoiced SLP for Ineligible Services; and Service Provider Over-Invoiced SLP for Services and Equipment Delivered to Ineligible Locations. Detailed information relative to the findings are 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
Internal Connections	$97,771	$3,580[2]
Internet Access	$78,200	$18,720[2]
Total Impact	**$175,971**	**$22,300**

KPMG recommends that the Beneficiary enhance their review process to ensure SLP funded equipment is installed by the required deadline or that the appropriate extension request is submitted. Additionally, KPMG recommends the Service Provider implements adequate controls and procedures to ensure timely notification to USAC of returned equipment or other credit adjustments affecting prior SPI submissions. KPMG also recommends that the Service Provider enhance their review of SPI submissions to ensure only eligible services and locations are included.

[2] The recommended recovery for this finding has been reduced due to funds already returned to USAC by the Service Provider.