

Audit Jams

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Audit Jams

- Terms and acronyms
- The audit process
- When audit jams can occur
 - Non-compliant auditees
 - COMADs and RIDFs
 - Responsible parties
- How to stay out of audit jams

Acronyms

- **FCC** – Federal Communications Commission
- **OIG** – Office of Inspector General
- **IAD** – Internal Audit Division of USAC
- **IPIA** – Improper Payments Improvement Act
- **GAGAS** – Generally accepted government auditing standards

■ Audit

- An evaluation of an organization to ascertain the validity and reliability of information and to provide an assessment of internal controls.
- An independent review and examination of records and activities to assess the adequacy of system controls, to ensure compliance with established policies and operational procedures, and to recommend necessary changes in controls, policies, or procedures.

- **Performance audit**
 - Auditors follow a specific set of procedures established by IAD and write a report.
- **Attestation audit**
 - Audit firm performs an examination and provides an opinion as to whether the assertions are fairly stated and reporting any findings of material non-compliance.
 - Audit firm provides a management letter addressing any non-material non-compliance (if any).

Terms (continued)

- **Beneficiary**
 - An entity that benefits from E-rate funding (applicant, recipient of service)
- **Statistical selection**
 - Auditees are chosen by a statistical selection which is randomly generated
- **Targeted selection**
 - Auditees are specifically chosen due to certain actions, characteristics, or other criteria

Terms (continued)

- **COMAD – Commitment adjustment**
 - Adjustment of funding commitment for portion of commitment made in violation of program rules
- **RIDF – Recovery of Improperly Disbursed Funds**
 - Repayment of funds disbursed in error
 - Commitment not adjusted
- **Red Light**
 - Federal program to hold payments from federal programs to entities that owe money to other federal programs

The Audit Process

- **Announcement letter**
 - Phone call to answer questions and discuss visit
- **Documentation requests**
 - List of documents requested (1) within three weeks of audit announcement and (2) at the time of visit
- **Entrance conference**
 - Formal discussion to introduce audit staff, audit objectives, overview of the process, reporting and timing
- **Field work**
 - Can be performed both onsite and in auditor offices

The Audit Process (continued)

- Exit conference
 - Discuss audit findings in detail
- Management responses
 - Beneficiary response
 - USAC management response
- Presentation to the Board
 - Reports presented in open session at the Schools and Libraries Committee
- Final report sent to applicant

USAC Internal Audit Division (IAD)

- Performance examinations conducted and managed by IAD in accordance with GAGAS
- Can be random or targeted
- Targeted based on
 - specific request from USAC management or FCC
 - media report or credible whistleblower complaint
 - IAD risk assessment

FCC Office of Inspector General (OIG)

- Compliance attestation examinations
- Performed at the direction of and with oversight from the FCC OIG
 - Managed by USAC IAD
 - Conducted by external accounting firms in accordance with GAGAS
 - Identify improper payments under IPIA
- Randomly selected, statistically valid sample
- Conducted annually (November – July 31)

Improper payments

- Improper Payments Improvements Act
 - Requires federal agencies to review all programs and activities and identify those that may be susceptible to significant improper payments.
- An erroneous or improper payment is:
 - “any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service).”

Fund recoveries can occur for:

- Insufficient documentation of the competitive bidding process
- Lack of necessary resources
- Service substitutions that would not meet criteria established in the rules
- Receipt of duplicative services
- Failure to pay non-discount share
- Failure to complete service(s) within the funding year
- Discount calculation violation
- Services not provided for full funding year
- Failure to have an approved technology plan

Non-compliant auditees

- Non-compliant audits are those that uncover serious problems with program compliance
 - In four years, USAC has sent non-compliant auditee letters to 136 applicants and 11 service providers
 - USAC sends a letter (service provider is copied if the letter goes to the applicant) giving six months to respond with compliance plan, revised procedures, etc.
 - New and pending applications are placed on hold until USAC receives an adequate response
 - If no response is received, funding on new and pending applications will be denied

COMADs and RIDFs

- Issued when USAC must recover funds committed and/or disbursed in error
- Can result from audits but also from other investigations
- USAC must determine responsible party or parties based on guidelines issued by the FCC

Responsible party?

- Service provider recovery situations:
 - Failing to properly bill for supported services.
 - Failing to deliver services within the relevant funding year.
 - Delivering services not approved on FCC Form 471.
- School or library recovery situations:
 - Violation of competitive bidding requirements.
 - Insufficient resources to make use of the supported services.
 - Incorrect calculation of the discount percentage.
 - Failure to pay the non-discount portion.
 - BEAR amount exceeds amount of invoices received from service provider.

Staying out of jams

- Provide detailed bills to your customers
 - Identify eligible and ineligible costs on separate lines or separate bills
 - Include Funding Request Number (FRN) on bill
- Save copies of those customer bills (or the information they contain) for five years after the last date to deliver and install service

Staying out of jams

- If you file Service Provider Invoice (SPI) Forms:
 - Verify that amounts on SPI Forms:
 - can be tied directly to amounts on customer bills
 - do not include charges for products and services that are not eligible and/or were not approved on the funding request
 - Do not “bill to cap” (invoice for the total commitment amount without regard to the service provided)
 - Save copies of customer bills (or the information they contain) for five years after the last date to deliver and install service
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Staying out of jams

- Offer assistance to customers being audited
 - Although USAC does not inform service providers if applicants are being audited, USAC encourages the applicants to notify the service providers of audits
 - You can provide copies of customer bills that support amounts on BEARs or SPIs
 - You can identify eligible and ineligible changes, approved service substitutions, approved SPIN changes, and other situations that help affirm program compliance

Staying out of jams

- If you receive a COMAD or RIDF letter:
 - Determine if you will pay the amount demanded or appeal USAC’s decision to ask for repayment
 - Pay or appeal within 60 days of the date on the letter
- If you receive a first demand payment letter for a COMAD or RIDF
 - Pay the amount within 30 days (no appeal option after the original 60 days)
- If you receive a second demand payment letter for a COMAD or RIDF
 - Your invoices will not be paid (go on Red Light)



Questions?