



E-rate Program

Understanding and Complying with Audits



Overview

- PQA / BCAP Audits
- What's New
- Common Audit Findings
 - Invoicing
 - Discount Calculation
 - Competitive Bidding
 - Document Retention



Audits Performed

Payment Quality Assurance Program (PQA)

- Commitment to support Improper Payments Improvement Act (IPIA) requirements
- Assess estimated rates of improper payments
- Assessment, not audit

Beneficiary/Audit Compliance Program (BCAP)

- Commitment to safeguarding the integrity of the universal service fund (USF)
- Assess compliance with FCC rules
- Performance or agreed-upon procedures



E-rate Program What's New



What's New

- BCAP service provider audits
 - Start in late spring 2013
 - Desk audits (no site visits)
 - Randomly selected
 - Auditing of invoices submitted
 - Auditing FYs 2010 and 2011
 - Applicants may receive a questionnaire about the service provider's process (e.g., were services delivered timely)
- USAC prepared a documentation checklist for service providers to use when preparing for an audit. The list is located on USAC's website as [BCAP Checklist](#).



What's New

- PQA improper payment rate
 - The current Federal law requires programs to have an improper payment rate less than 2 percent for the E-rate Program
 - Starting next year the improper payment rate standard changes to a rate of less than 1.5 percent
- Applicants can ensure the improper payment rate is less than the standard when applicants are compliant with program rules



E-rate Program Common BCAP and PQA Findings



Invoicing

- One out of every 5 audits, especially non-compliant audits, has an invoicing finding.
- Auditors identify errors on SPIs and BEARs.



Invoicing

Invoicing Findings

- Recurring services received and invoiced after the end of the fund year in which the services were requested
- Ineligible equipment or services on the invoice
- Discount incorrectly calculated on the invoice

Avoid by:

- Using the FCDL to prepare the SPI or BEAR.
- FCDL comments explain what ineligible entities or services were removed and/or the amount of funding reduced.
- Discount percent, last date to invoice, recurring and non-recurring amounts are listed on the FCDL.



Invoicing

Invoicing Findings

- Invoiced for equipment or services not on the Item 21 attachment
- Entity(ies) ineligible on the invoice
 - Ineligible entities (e.g., Fire Department, City Hall, etc.)
 - Schools or libraries not on the FCC Form 471 Block 4

Avoid by:

- Reconcile service provider's bill to Item 21 attachment
- Reconcile entity(ies) receiving service to FCC Form 471 Block 4



Invoicing

Invoicing Findings

- Overbilling or unsubstantiated charges.
- Invoicing for the non-discount portion.
- Invoicing for services or equipment not delivered.

Correct by:

- Returning funds to USAC
 - Return funds when you over-invoice USAC. See USAC's website for guidance.
- Submit an FCC Form 500 to reduce or cancel the funding when services are not delivered
- Perform these corrections as soon as they are detected



Invoicing

Invoicing Finding

- Library uses the NSLP data from school district(s) served

Avoid by:

- Library should use the NSLP data from school district(s) in which the library is physically located, not the population served



Invoicing

Invoicing Finding

- Incorrect urban /rural status
- Includes ineligible students (e.g., pre-K, Head Start, etc.)

Avoid by:

Refer to USAC's website tools to assist you.

- To determine rural status: [Table of Rural Areas by State](#)
- To determine eligibility of students and/or facilities: [Eligibility Table for Non-traditional Education](#)



Competitive Bidding

Competitive Bidding Finding

Disqualification factors improperly applied

- Service providers are not informed about disqualification factors (e.g., mandatory walk-through).
- Applicant lacks documentation to support why bids were disqualified.

Avoid by:

Inform potential bidders about disqualification factors. Include on FCC Form 470 description of services, RFP (or other document describing the procurement), or post the disqualification factors on your website. Make sure the information is accessible.



Competitive Bidding

Competitive Bidding Finding

FCC Form 470 did not indicate RFP was issued

Avoid by:

- Check the RFP box on FCC Form 470
- Repost the FCC Form 470 if you issued an RFP and failed to check the box
- Avoid issuing supplemental documents which change the scope or quantity of the services requested



Competitive Bidding

Competitive Bidding Finding

Price of eligible goods is not the primary factor in the bid evaluation

Avoid by:

- Create separate criteria for other evaluation factors (e.g., ineligible products).
- Weight the criterion for the price of the eligible products and services higher than the other criteria in your bid evaluation.



Competitive Bidding

Competitive Bidding Finding

Bids were not advertised in accordance with state and local rules

Avoid by:

- Familiarize yourself with advertising requirements in local publications (e.g., dollar thresholds, advertising time period, type of services or equipment).
- Remember you must be compliant with USAC program rules and your state and local rules.



Competitive Bidding

Competitive Bidding Finding

Applicants use a written bid evaluation

Avoid by:

- Document the bid evaluation process, using a bid matrix or worksheet.
- Use price as the primary factor when you have more than one bid criteria.
- Document how the winning bidder was selected.



Document Retention

Lack of Documentation Findings

- NSLP data documents submitted to auditors not the same documents used to prepare the FCC Form 471
- Unable to demonstrate maintenance was performed
- No record of an equipment transfer request submitted to USAC
- Unable to locate equipment on fixed asset log
- Applicant did not have evidence of public notice and/or public hearing or meeting required by CIPA.
- Applicant did not pay its non-discount share
- Service provider did not pay reimbursements



Document Retention

Retain, Retain

- Documentation must be retained for **5 years** from **last date of service delivery** and can be in electronic format or paper
- Applicants and service providers must retain **ALL** documentation that shows compliance with all FCC rules
- Any document from a **prior year** that supports current year activities must be kept for a period of 5 years after the last day of service delivered.
 - E.g., Contract from 2005, used to support FY2014 recurring service FRNs, must be kept until at least **June 30, 2020**



Document Retention

Documents to Retain

- RFPs or similar documents
- All bid responses and correspondence
- Contracts, service agreements, addendums, etc.
- Item 21 attachments
- Purchase requisitions, POs, packing slips, customer bills
- Delivery and installation records
- Maintenance logs
- Payments (canceled checks, credit card receipts, ACH transactions)



Document Retention

Documents to Retain, continued

- USAC-approved SPIN changes and/or service substitutions (request, supporting documentation, and approval)
- USAC-approved invoice deadline extension, service delivery and service substitution (request, supporting documentation, and approval)
- Documents used to prepare forms (i.e., discount calculation docs like surveys, NSLP data, etc.)
- FCC Forms
- Letters received from USAC (e.g., FCC Forms 498, 474)



Questions?
