



Board of Directors

Supply Chain Audit Reports Briefing Book

Tuesday, July 30, 2024

Available for Public Use

Universal Service Administrative Offices

700 12th Street, NW, Suite 900

Washington, DC

Summary of the Supply Chain Audit Reports Released: April 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A Bloomington Home Telephone Company, Inc.	0	<ul style="list-style-type: none"> Not applicable 	\$813,119	\$0	\$0	N/A
Attachment B Hamilton County Telephone Cooperative	0	<ul style="list-style-type: none"> Not applicable. 	\$1,018,243	\$0	\$0	N/A
Attachment C ENA Services, LLC	0	<ul style="list-style-type: none"> Not applicable. 	\$68,790,415	\$0	\$0	N/A
Attachment D Henry County Telephone Company	0	<ul style="list-style-type: none"> Not applicable. 	\$835,282	\$0	\$0	N/A
Attachment E Golden West Telecommunications Cooperative Inc.	0	<ul style="list-style-type: none"> Not applicable. 	\$36,743,689	\$0	\$0	N/A
Total	0		\$108,200,748	\$0	\$0	

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Attachment A

SC2023BE001

*Bloomington Home Telephone Company, Inc.
Audit ID: SC2023BE001*

Performance audit for the Universal Service Fund Supply Chain Audit Program related to High-Cost Disbursements made from January 1, 2021, to December 31, 2021; and E-Rate disbursements made from July 1, 2021, to June 30, 2022.

Prepared for: Universal Service Administrative Company

As of Date: March 8, 2024

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EXECUTIVE SUMMARY

March 8, 2024

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 Supply Chain performance audit objective relative to Bloomingdale Home Telephone Company, Inc. (Universal Service Fund (“USF”) Recipient, Study Area Code (“SAC”) 320742 or “Bloomingdale”) Service Provider Identification Number (“SPIN”) 143001728, for disbursements of \$756,819 made from the USF’s High Cost Program from January 1, 2021 to December 31, 2021; and disbursements of \$56,300 made from the E-Rate Program from July 1, 2021 to June 30, 2022. Our work was performed from June 1, 2023, to March 8, 2024 and our results are as of March 8, 2024.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). 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 objective. 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 objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) rules 47 C.F.R. § 54.9 and 47 C.F.R. § 54.10 (collectively, the “FCC Rules”) relative to disbursements of \$756,819 made from the High Cost Program from January 1, 2021 to December 31, 2021, disbursements of \$56,300 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, Moss Adams LLP did not identify any audit findings as a result of the work performed.

Moss Adams LLP cautions that projecting the results of our evaluation to future periods is subject to the risk 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 USF Recipient, 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 and the FCC.

Sincerely,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President of Program Management, High Cost
Craig Davis, USAC Vice President of Program Management, Schools and Libraries

LIST OF ACRONYMS

Acronym	Definition
ACAM_II	Alternative Connect America Cost Model II
BEAR	Billed Entity Applicant Reimbursement form submitted for E-Rate reimbursement
Beneficiary	School, library, or health care facility that received equipment or services from the Service Provider which is the subject of this audit
Bloomingtondale or USF Recipient	Bloomingtondale Home Telephone Company, Inc.
BMIC	Basic Maintenance of Internal Connections
CAFII AUC	Connect America Fund Phase II Auction
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
C.F.R.	Code of Federal Regulations
COE	Central Office Equipment
Covered List Companies	Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company, and their parents, affiliates, and subsidiaries to the extent they were included on the Covered List for the applicable audit period.
Covered List	A list, published and maintained by the FCC's Public Safety and Homeland Security Bureau, of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.
CPRs	Continuing Property Records
FCC	Federal Communications Commission
FCC Form 481	Carrier Annual Reporting Data Collection Form
FCC Form 473	Service Provider Annual Certification Form
FRN	Funding Request Number
G/L	General Ledger
HCL	High Cost Loop
MIBS	Managed Internal Broadband Services
SAC	Study Area Code
SPI	Service Provider Invoice form submitted for E-Rate reimbursement
TB	Trial Balance
TPUC	Telecommunications Plant Under Construction
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Moss Adams LLP's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC’s direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund which includes four support mechanisms: High Cost, Lifeline, RHC, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the Federal Communications Commission (“FCC”) adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, which prohibits the use of any funds from the Universal Service Fund (“USF”) to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company posing a national security threat to the integrity of communications networks or the communications supply chain.¹ On December 10, 2020, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order* to implement the Secure and Trusted Communications Networks Act of 2019.² The *Second Report and Order* adopted a rule, codified at 47 C.F.R. § 54.10, which prohibits the use of certain federal subsidies, including USF funds, to purchase, rent, lease, or otherwise obtain any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, identified and published on the “Covered List.”³

The “Covered List” is a list of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.⁴ The FCC’s Public Safety and Homeland Security Bureau publishes and maintains the Covered List, including by updating the list as needed from time to time.⁵ The current list can be found at <https://www.fcc.gov/supplychain/coveredlist>. Please note that the scope for this audit was limited to USF support, funds disbursed under appropriated programs were not in scope.

USAC engaged Moss Adams LLP to conduct a performance audit relating to the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$756,819 made from the High-Cost Program from January 1, 2021 to December 31, 2021; and disbursements of \$56,300 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Second Report and Order, 35 FCC Rcd 14284 (2020).

³ 47 C.F.R. Section 54.10.

⁴ *Public Safety and Homeland Security Bureau Announces Publication of the List of Equipment and Services Covered by Section 2 of The Secure Networks Act*, WC Docket No. 18-89, Public Notice, DA 21-309 (2021).

⁵ 47 CFR 1.50002.

USF Recipient Overview

Bloomingtondale (SPIN: 143001728), the subject of this performance audit, is located in Bloomingtondale, Indiana and does business as Bloomingtondale Home Telephone Company. The USF recipient is a stand-alone entity. Bloomingtondale provides telecommunications services including telephone and broadband to its customers in Indiana.

High Cost

In the table below, we show the High Cost support disbursed by USAC to the USF Recipient during the twelve-month period from January 1, 2021 to December 31, 2021, by High Cost fund type:

High Cost Fund Type	Amount
ACAM	\$600,194
CAF ICC	\$156,624
TOTAL	\$756,819

Source: USAC open data

The USF Recipient received High Cost support from January 1, 2021 to December 31, 2021, based on funds driven by model data and modernized funds driven by deployment obligations.

HCL and CAF ICC funds disbursed in 2021, were based on forms submitted in 2020 that encompass 2020 data (line count data and totals of specific pre-designated G/L Accounts including all asset accounts that roll into the Telecom Plant in Service as well as specific deferred liabilities and operating expenses subject to the allocation between regulated and non-regulated activities).

E-Rate

In the table below, we show the E-Rate support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2021 to June 30, 2022, by E-Rate service type:

E-Rate Service Category	E-Rate Service Type	Amount
Category One	Data Transmission and/or Internet Access	\$56,300
	TOTAL	\$56,300

Source: USAC open data pre-discount amount

E-Rate Category One includes the services needed to support broadband connectivity to schools and libraries. Data transmission and/or Internet access services are eligible in Category One.⁶

E-Rate Category Two includes the internal connections needed for broadband connectivity within schools and libraries. Broadband Internal Connections, MIBS and BMIC are eligible in Category Two.⁷ Bloomingtondale received no Category 2 disbursements during the period under audit.

⁶ Funding Year 2021 Eligible Services List, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

⁷ Funding Year 2021 Eligible Services List, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$756,819 made from the High Cost Program from January 1, 2021 to December 31, 2021; disbursements of \$56,300 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

SCOPE

The scope of this performance audit included, but was not limited to the reconciliation of USF support received to the USF recipient's underlying financial data, review of the Continuing Property Records ("CPRs") and G/L details, including the use of an audit software platform to perform searches of the memo and description fields in the G/L detail to identify transactions with details that match with the names of the Covered List Companies; review of internal network diagrams and internal scan outputs, if available; review of vendor policies, approved vendor lists, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered List Companies. The scope of our work relates to disbursements made from the High Cost Program from January 1, 2021 to December 31, 2021; disbursements made from the E-Rate Program from July 1, 2021 to June 30, 2022.

Our performance audit included, but was not limited to the following focus areas:

1. Annual Supply Chain Certification
2. Reconciliation of USF expenditure
3. Review of asset records
4. Data analysis of relevant financial records
5. Network architecture review

PROCEDURES

1. Annual Supply Chain Certification

Moss Adams obtained the FCC Form 481 and FCC Form 473 filed in to support the USF disbursements under audit and verified that:

For section 54.9, the USF Recipient certified that "no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by Federal Communications

Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

For section 54.10 the USF Recipient certified that “no Federal subsidy made available through a program administered by the Commission that provides funds to be used for the capital expenditures necessary for the provision of advanced communications services has been or will be used to purchase, rent, lease, or otherwise obtain, any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, as required by 47 C.F.R. § 54.10”.

2. Reconciliation of USF expenditure

Moss Adams reconciled USF disbursements to recipient records.

E-Rate

Moss Adams obtained details of USF support received and reconciled the support to the USF Recipient’s underlying financial data. Moss Adams also analyzed transaction data and reviewed a sample of underlying documentation to verify that USF expenditure was adequately supported and did not include any expenditure items for network equipment and services that can be traced to Covered List Companies.

High Cost

Moss Adams obtained and reviewed evidence of projects completed using USF support and determined whether elements of the project expenditure involved network equipment and services that can be traced to Covered List Companies. Moss Adams also analyzed recipients’ financial and transactional information (including financial statements, general ledger accounts for vendor payments, invoices, contracts, and work order details) to identify potential transactions for equipment or services with Covered List Companies. Finally, Moss Adams reviewed recipient asset listings and related expense reports documentation and determined whether network elements are included in FCC’s Covered List.

3. Review of Asset Records

High Cost

Moss Adams obtained the COE CPRs and reconciled the amounts to the Trial Balance or G/L for accounts 2210 (Central Office – Switching) and 2230 (Central Office – Transmission) to ensure all telecommunications network equipment was accounted for in the carrier’s records. Moss Adams performed a key word search of the COE CPRs to obtain reasonable assurance that the assets on the list could not be traced to the Covered List Companies. Moss Adams selected a non-statistical sample of 35 assets and requested supporting invoices to verify that the equipment detail in the invoices matched the CPR details and that no equipment or services were produced or provided by the Covered List Companies. Moss Adams also searched the G/L for the TPUC account which would have any work-in-progress items that had yet been added to the CPRs.

Moss Adams noted Bloomingdale Telecommunications did not have an open balance for TPUC in the 2021 G/L.

E-Rate

Moss Adams selected two out of two Funding Request Numbers for testing. This represents 100% coverage of the disbursed dollars and also represents each type of service that was funded for our audit period.

For the two selected FRNs with Category One services, Moss Adams obtained the underlying Bloomingdale bills that support the BEAR/SPI forms that were submitted to USAC for reimbursement. Moss Adams reviewed the bills to determine if any equipment was included as part of the Category One services. Moss Adams also inquired of Bloomingdale to understand if any equipment was provisioned to the Beneficiary as part of this service. Moss Adams noted that no equipment was provisioned to the Beneficiary as part of the Category One service and that Bloomingdale confirmed that any equipment used to provide the service was included in the network documentation provided. Moss Adams reviewed the Bloomingdale network, which was used to provide the Category One service, as described in the Network Architecture section below.

4. Data Analysis of Relevant Financial Records

Moss Adams obtained general ledger activity files for the funding periods. Moss Adams imported the general ledger files into an audit software platform (Mindbridge) and performed searches on the memo and description sections of the general ledger detail to verify that there were no transactions with details that matched the names of the Covered List Companies.

5. Network Architecture Review

Moss Adams reviewed network diagrams and conducted a physical inspection of Bloomingdale's network to validate the physical existence of COE assets at three central offices, including the primary central office supporting the broader network, and to confirm that the manufacturer and model in the COE CPR details provided matched the equipment in service. We reviewed the COE CPR details and physical COE assets to verify that key indicators such as asset manufacturer, vendor, and model could not be traced to the Covered List Companies. In addition to the COE CPRs, Moss Adams also obtained a network asset listing from Bloomingdale. Moss Adams noted this listing was extracted from financial depreciation schedules. Moss Adams performed a keyword search of this network asset listing as well to obtain reasonable assurance that no assets could be traced to Covered List Companies.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

Moss Adams's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

Moss Adams' evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9, and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relevant to the disbursements made from the High Cost Program from January 1, 2021 to December 31, 2021; the disbursements made from the E-Rate Program from July 1, 2021, to June 30, 2022; identified no audit findings.

** This concludes the audit report. **

Attachment B

SC2023BE002

*Hamilton County Telephone Cooperative Audit ID:
SC2023BE002*

Performance audit for the Universal Service Fund Supply Chain Audit Program related to High-Cost Disbursements made from January 1, 2021, to December 31, 2021; and E-Rate disbursements made from July 1, 2021, to June 30, 2022.

Prepared for: Universal Service Administrative Company

As of Date: March 15, 2024

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FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES.....	13
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EXECUTIVE SUMMARY

March 15, 2024

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 Supply Chain performance audit objective relative to Hamilton County Telephone Cooperative (Universal Service Fund (“USF”) Recipient, Study Area Code (“SAC”) 341024 or “Hamilton County”) Service Provider Identification Number (“SPIN”) 143001876, for disbursements of \$982,924 made from the USF’s High Cost Program from January 1, 2021 to December 31, 2021; and disbursements of \$35,319 made from the USF’s E-Rate Program from July 1, 2021 to June 30, 2022. Our work was performed from June 1, 2023, to March 15, 2024 and our results are as of March 15, 2024.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). 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 objective. 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 objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) rules 47 C.F.R. § 54.9 and 47 C.F.R. § 54.10 (collectively, the “FCC Rules”) relative to disbursements of \$982,924 made from the High-Cost Program from January 1, 2021 to December 31, 2021, and disbursements of \$35,319 made from the E-Rate Program from July 1, 2021 to June 30, 2022

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, Moss Adams LLP did not identify any audit findings as a result of the work performed.

Moss Adams LLP cautions that projecting the results of our evaluation to future periods is subject to the risk 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 USF Recipient, 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 and the FCC.

Sincerely,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President of Program Management, High-Cost
Craig Davis, USAC Vice President of Program Management, Schools and Libraries

LIST OF ACRONYMS

Acronym	Definition
ACAM_II	Alternative Connect America Cost Model II
BEAR	Billed Entity Applicant Reimbursement form submitted for E-Rate reimbursement
Beneficiary	School or library that received equipment or services from the Service Provider which is the subject of this audit
BMIC	Basic Maintenance of Internal Connections
CAFII AUC	Connect America Fund Phase II Auction
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Inter-carrier Compensation
C.F.R.	Code of Federal Regulations
COE	Central Office Equipment
Covered List Companies	Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company, and their parents, affiliates, and subsidiaries to the extent they were included on the Covered List for the applicable audit period.
Covered List	A list, published and maintained by the FCC's Public Safety and Homeland Security Bureau, of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.
CPRs	Continuing Property Records
FCC	Federal Communications Commission
FCC Form 481	Carrier Annual Reporting Data Collection Form
FCC Form 463	Rural Health Care Invoice to USAC for reimbursement
FCC Form 473	Service Provider Annual Certification Form
FRN	Funding Request Number
G/L	General Ledger
Hamilton County or USF Recipient	Hamilton County Telephone Cooperative
HCL	High Cost Loop
MIBS	Managed Internal Broadband Services
RDOF	Rural Digital Opportunity Fund
RHC	Rural Health Care
SAC	Study Area Code
SPI	Service Provider Invoice form submitted for E-Rate reimbursement
TB	Trial Balance
TPUC	Telecommunications Plant Under Construction
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Moss Adams LLP's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC’s direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund, which includes four support mechanisms: High Cost, Lifeline, RHC, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the Federal Communications Commission (“FCC”) adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, which prohibits the use of any funds from the Universal Service Fund (“USF”) to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company posing a national security threat to the integrity of communications networks or the communications supply chain.¹ On December 10, 2020, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order* to implement the Secure and Trusted Communications Networks Act of 2019.² The *Second Report and Order* adopted a rule, codified at 47 C.F.R. § 54.10, which prohibits the use of certain federal subsidies, including USF funds, to purchase, rent, lease, or otherwise obtain any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, identified and published on the “Covered List.”³

The “Covered List” is a list of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.⁴ The FCC’s Public Safety and Homeland Security Bureau publishes and maintains the Covered List, by updating the list as needed from time to time.⁵ The current list can be found at <https://www.fcc.gov/supplychain/coveredlist>. Please note that the scope of this audit was limited to USF support, funds disbursed under appropriated programs were not in scope.

USAC engaged Moss Adams LLP to conduct a performance audit relating to the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$982,924 made from the High-Cost Program from January 1, 2021 to December 31, 2021; and disbursements of \$35,319 made from the E-Rate Program

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Second Report and Order, 35 FCC Rcd 14284 (2020).

³ 47 C.F.R. Section 54.10.

⁴ *Public Safety and Homeland Security Bureau Announces Publication of the List of Equipment and Services Covered by Section 2 of The Secure Networks Act*, WC Docket No. 18-89, Public Notice, DA 21-309 (2021).

⁵ 47 CFR 1.50002.

from July 1, 2021 to June 30, 2022. There were no disbursements from the RHC program to the entity during the period under review.

USF Recipient Overview

Hamilton County (SPIN: 143001876), the subject of this performance audit, is located in Dahlgren, Illinois and does business as Hamilton County. Hamilton County is a stand-alone entity. Hamilton County provides telecommunications services including telephone and internet to its customers in Illinois.

High Cost

In the table below, we show the High Cost support disbursed by USAC to the USF Recipient during the twelve-month period from January 1, 2021 to December 31, 2021, by High Cost fund type:

High Cost Fund Type ⁶	Amount
ACAM_II	\$715,049
CAF ICC	\$202,902
RDOF	\$64,973
TOTAL	\$982,924

Source: USAC open data

The USF Recipient received High-Cost support from January 1, 2021, to December 31, 2021, based on legacy funds driven by historical data and modernized funds driven by deployment obligations.

HCL, CAF ICC and CAF BLS funds disbursed in 2021, were based on forms submitted in 2020 that encompass 2020 data (line count data and totals of specific pre-designated G/L Accounts including all asset accounts that roll into the Telecom Plant in Service as well as specific deferred liabilities and operating expenses subject to the allocation between regulated and non-regulated activities). ACAM, BLS, HCL, ICC, and ICLS funds, disbursed in 2021, were based on the FCC support authorization Public Notice and subject to deployment obligations.

E-Rate

In the table below, we show the E-Rate support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2021, to June 30, 2022, by E-Rate service type:

E-Rate Service Category	E-Rate Service Type	Amount
Category One	Data Transmission and/or Internet Access	\$35,319
	TOTAL	\$35,319

Source: USAC open data pre-discount amount

E-Rate Category One includes the services needed to support broadband connectivity to schools and libraries. Data transmission and/or Internet access services are eligible in Category One.⁷

E-Rate Category Two includes the internal connections needed for broadband connectivity within schools and libraries. Broadband Internal Connections, MIBS and BMIC are eligible in Category Two.⁸ Hamilton County received no Category 2 disbursements during the period under audit.

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$982,924 made from the High Cost Program from January 1, 2021 to December 31, 2021; and disbursements of \$35,319 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

SCOPE

The scope of this performance audit included, but was not limited to, reconciliation of USF support received to the USF Recipient's underlying financial data, review of the Continuing Property Records ("CPRs") and G/L details; including the use of an audit software platform to perform searches of the memo and description fields in the G/L detail to identify transactions with details that match the names of Covered List Companies; review of internal network diagrams and internal scan outputs, if available; review of vendor policies, approved vendors, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered List Companies. The scope of our work relates to disbursements made from the High-Cost Program from January 1, 2021 to December 31, 2021; and disbursements made from the E-Rate Program from July 1, 2021 to June 30, 2022.

Our performance audit included, but was not limited to the following focus areas:

1. Annual supply chain certification
2. Reconciliation of USF expenditure
3. Review of asset records
4. Data analysis of relevant financial records
5. Network architecture review

⁷ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

⁸ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

PROCEDURES

1. Annual Supply Chain Certification

Moss Adams obtained the FCC Form 481, FCC Form 463 and FCC Form 473 filed to support the USF disbursements under audit and verified that:

For section 54.9, the USF Recipient certified that “no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

For section 54.10 the USF Recipient certified that “no Federal subsidy made available through a program administered by the Commission that provides funds to be used for the capital expenditures necessary for the provision of advanced communications services has been or will be used to purchase, rent, lease, or otherwise obtain, any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, as required by 47 C.F.R. § 54.10.”

2. Reconciliation of USF expenditure

Moss Adams reconciled USF disbursements to recipient records.

E-Rate and RHC

Moss Adams obtained details of USF support received and reconciled the support to the USF Recipient’s underlying financial data. Moss Adams also analyzed transaction data and reviewed a sample of underlying documentation to verify that USF expenditure was adequately supported and did not include any expenditure items i.e., network equipment and services that can be traced to Covered List Companies.

High Cost

Moss Adams obtained and reviewed evidence of projects completed using USF support and determined whether elements of the project expenditure involved network equipment and services that can be traced to Covered List Companies. Moss Adams also analyzed recipients’ financial and transactional information (including financial statements, general ledger accounts for vendor payments, invoices, contracts, and work order details) to identify potential transactions for equipment or services with Covered List Companies. Finally, Moss Adams reviewed recipient asset listings and related expense reports documentation and determined whether network elements are included in FCC’s Covered List.

3. Review of Asset Records

High Cost

Moss Adams obtained the COE CPRs and reconciled the amounts to the Trial Balance or G/L for accounts 2210 (Central Office – Switching) and 2230 (Central Office – Transmission) to ensure all telecommunications network equipment was accounted for in the carrier’s records. Moss Adams

performed a key word search of the COE CPRs to obtain reasonable assurance that the assets on the list could not be traced to the Covered List Companies. Moss Adams selected a non-statistical sample of 70 assets and requested supporting invoices to verify that the equipment detail in the invoices matched the CPR details and that no equipment or services were produced or provided by the Covered List Companies. Moss Adams also searched the G/L for the Telecom Plant Under Construction account which would have any work-in-progress items that had yet been added to the CPRs.

Moss Adams noted Hamilton County had an open balance for TPUC in the 2021 G/L. Moss Adams obtained the work-in-progress listing and reconciled the total to the Trial Balance or G/L for account 2003 (TPUC) to ensure that it was a complete listing. Moss Adams selected ten out of one hundred and eleven work-in-progress items and requested detailed listings of them to verify that no equipment or services were produced or provided by the Covered List Companies.

E-Rate

Moss Adams selected two out of two Funding Request Numbers for testing. This represents 100% coverage of the disbursed dollars and also represents each type of service that was funded for our audit period.

For the two selected FRNs with Category One services, Moss Adams obtained the underlying Hamilton County bills that support the BEAR/SPI forms that were submitted to USAC for reimbursement. Moss Adams reviewed the bills to determine if any equipment was included as part of the Category One services. Moss Adams also inquired of Hamilton County to understand if any equipment was provisioned to the Beneficiary as part of this service. Moss Adams noted that no equipment was provisioned to the Beneficiary as part of the Category One service, and that Hamilton County confirmed that any equipment used to provide the service was included in the network documentation provided. Moss Adams reviewed Hamilton County's network, which was used to provide the Category One service, as described in the Network Architecture section below.

RHC

Moss Adams did not select any items related to RHC based on Hamilton County receiving \$0 in RHC funding.

4. Data Analysis of Relevant Financial Records

Moss Adams obtained general ledger activity files for the funding periods. Moss Adams imported the general ledger files into an audit software platform (Mindbridge) and performed searches on the memo and description sections of the general ledger detail to verify that there were no transactions with details that matched the names of the Covered List Companies.

5. Network Architecture Review

Moss Adams reviewed network diagrams and conducted a physical inspection of Hamilton County's network to validate the physical existence of COE assets at two central offices, including

the primary central office supporting the broader network and to confirm that the manufacturer and model in the COE CPR details provided matched the equipment in service. We reviewed the COE CPR details and physical COE assets to verify that key identifiers such as asset manufacturer, vendor and model could not be traced to Covered List Companies. In addition to the COE CPRs, Moss Adams also obtained a network asset listing from Hamilton County. Moss Adams performed a keyword search of this network asset listing as well to obtain reasonable assurance that no assets could be traced to Covered List Companies. Moss Adams notes that Hamilton County does not have a centralized network management software platform. Instead, Hamilton County relies on Ciena's Management System to collect alarms and push software upgrades the C7 & E7-2 shelves. Based on the lack of a centralized network management software platform, Moss Adams was unable to obtain an internal network scan.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

Moss Adams's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

Moss Adams's evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relevant to the disbursements made from the High Cost Program from January 1, 2021 to December 31, 2021; and the disbursements made from the E-Rate Program from July 1, 2021 to June 30, 2022 identified no audit findings.

** This concludes the audit report. **

Attachment C

SC2023BE010

ENA Services LLC
Audit ID: SC2023BE010

Performance audit for the Universal Service Fund Supply Chain Audit Program related to E-Rate disbursements made from July 1, 2021 to June 30, 2022.

Prepared for: Universal Service Administrative Company

As of Date: March 8, 2024

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EXECUTIVE SUMMARY

March 8, 2024

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 Supply Chain performance audit objective relative to ENA Services LLC (Universal Service Fund (“USF”) Recipient) with Service Provider Identification Number (“SPIN”) 143030857 or “ENA”, for disbursements of \$68,790,415 made from the USF’s E-Rate Program from July 1, 2021 to June 30, 2022; Our work was performed from July 10, 2023 to March 8, 2024 and our results are as of March 8, 2024.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). 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 objective. 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 objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) rule 47 C.F.R. § 54.9 and 47 C.F.R. § 54.10 (collectively, the “FCC Rules”) relative to disbursements of \$68,790,415 made from the E-Rate Program from July 1, 2021 to June 30, 2022

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, Moss Adams LLP did not identify any audit findings as a result of the work performed.

Moss Adams LLP cautions that projecting the results of our evaluation to future periods is subject to the risk 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 USF Recipient, 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 and the FCC.

Sincerely,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, professional style.

cc: Radha Sekar, USAC Chief Executive Officer
Craig Davis, USAC Vice President of Program Management, Schools and Libraries

LIST OF ACRONYMS

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement form submitted for E-Rate reimbursement
BMIC	Basic Maintenance of Internal Connections
C.F.R.	Code of Federal Regulations
Covered List Companies	Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company, and their parents, affiliates, and subsidiaries to the extent they were included on the Covered List for the applicable audit period.
Covered List	A list, published and maintained by the FCC's Public Safety and Homeland Security Bureau, of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.
CPRs	Continuing Property Records
ENA or USF Recipient	ENA Services LLC
E-Rate	The schools and libraries universal service support program
FCC	Federal Communications Commission
FCC Form 473	Service Provider Annual Certification Form
FRN	Funding Request Number
G/L	General Ledger
MIBS	Managed Internal Broadband Services
SAC	Study Area Code
SPI	Service Provider Invoice form submitted for E-Rate reimbursement
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Moss Adams LLP's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC’s direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund which includes four support mechanisms: High Cost, Lifeline, RHC, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the Federal Communications Commission (“FCC”) adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, which prohibits the use of any funds from the Universal Service Fund (“USF”) to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company posing a national security threat to the integrity of communications networks or the communications supply chain.¹ On December 10, 2020, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order* to implement the Secure and Trusted Communications Networks Act of 2019.² The *Second Report and Order* adopted a rule, codified at 47 C.F.R. § 54.10, which prohibits the use of certain federal subsidies, including USF funds, to purchase, rent, lease, or otherwise obtain any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, identified and published on the “Covered List.”³

The “Covered List” is a list of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.⁴ The FCC’s Public Safety and Homeland Security Bureau publishes and maintains the Covered List, including by updating the list as needed from time to time.⁵ The current list can be found at <https://www.fcc.gov/supplychain/coveredlist>. Please note that the scope for this audit was limited to USF support, funds disbursed under appropriated programs were not in scope.

USAC engaged Moss Adams LLP to conduct a performance audit relating to the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$68,790,415 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Second Report and Order, 35 FCC Rcd 14284 (2020).

³ 47 C.F.R. Section 54.10.

⁴ *Public Safety and Homeland Security Bureau Announces Publication of the List of Equipment and Services Covered by Section 2 of The Secure Networks Act*, WC Docket No. 18-89, Public Notice, DA 21-309 (2021).

⁵ 47 CFR 1.50002.

USF Recipient Overview

ENA Services LLC (SPIN: 143030857), the subject of this performance audit, is located in Nashville, Tennessee and is a wholly owned subsidiary of Education Networks of America, Inc. ENA provides internet and network access to schools and libraries across the United States.

E-Rate

In the table below, we show the E-Rate support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2021 to June 30, 2022, by E-Rate service type:

E-Rate Service Category	E-Rate Service Type	Amount
Category One	Data Transmission and/or Internet Access	\$67,456,687
Category Two	Internal Connection Hardware	\$1,333,728
	TOTAL	\$68,790,415

Source: USAC open data pre-discount amounts

E-Rate Category One includes the services needed to support broadband connectivity to schools and libraries. Data transmission and/or Internet access services are eligible in Category One.⁶

E-Rate Category Two includes the internal connections needed for broadband connectivity within schools and libraries. Broadband internal connections, MIBS, and BMIC are eligible in Category Two.⁷

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$68,790,415 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

SCOPE

The scope of this performance audit included, but was not limited to, reconciliation of USF support received to the USF Recipient's underlying financial data, review of the Continuing Property Records ("CPRs") and G/L details; including the use of an audit software platform to perform searches of the memo and description fields in the G/L detail to identify transactions with details that match the names of Covered companies; review of internal network diagrams and internal scan outputs, if available; review of vendor policies, approved vendors, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or

⁶ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

⁷ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

provided by the Covered Companies. The scope of our work relates to disbursements made from the E-Rate Program from July 1, 2021 to June 30, 2022.

Our performance audit included, but was not limited to the following focus areas:

1. Annual Supply Chain Certification
2. Reconciliation of USF expenditure
3. Review of asset Records
4. Data analysis of relevant financial records
5. Network architecture review

PROCEDURES

1. Annual Supply Chain Certification

Moss Adams obtained the FCC Form 473 filed in respect of funding year 2021 and verified that:

For section 54.9, the USF Recipient certified that “no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

For section 54.10 the USF Recipient certified that “no Federal subsidy made available through a program administered by the Commission that provides funds to be used for the capital expenditures necessary for the provision of advanced communications services has been or will be used to purchase, rent, lease, or otherwise obtain, any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, as required by 47 C.F.R. § 54.10”.

2. Reconciliation of USF expenditure

Moss Adams reconciled USF disbursements to recipient records.

E-Rate

Moss Adams obtained details of the USF support received and reconciled the support to the USF Recipient’s underlying financial data. Moss Adams also analyzed transaction data and reviewed a sample of underlying documentation to verify that USF expenditure was adequately supported and did not include any expenditure items for network equipment and services that can be traced to Covered List Companies.

3. Review of Asset Records

E-Rate

Moss Adams obtained property records for all network assets owned by ENA and reconciled the amounts to the general ledger to ensure all telecommunications network equipment was accounted for in ENA's records. Moss Adams performed a key word search of the COE CPRs to obtain reasonable assurance that the assets on the list could not be traced to the Covered List Companies. Moss Adams selected a non-statistical sample of 70 assets from the asset listing and requested supporting invoices to verify that the equipment detail in the invoices matched the CPR details and that no equipment or services were produced or provided by the Covered List Companies.

Moss Adams also reviewed a non-statistical sample of 70 FRNs. This represents approximately 34% coverage of the disbursed dollars and also represents each type of service that was funded for the audit period. For the selected FRNs with Category One services, Moss Adams obtained the underlying ENA bills that support the BEAR/SPI forms that were submitted to USAC for reimbursement. Moss Adams reviewed the bills to determine if any equipment was included as part of the Category One services. Moss Adams also inquired of ENA to understand if any equipment was provisioned as part of this service. Moss Adams noted that no equipment was provisioned as part of the Category One service and that ENA confirmed that any equipment used to provide the service was included in the network documentation provided. Moss Adams reviewed the ENA network, which was used to provide the Category One service, as described in the Network Architecture section below.

4. Data Analysis of Relevant Financial Records

Moss Adams obtained general ledger activity files for the funding periods. Moss Adams imported the general ledger files into an audit software platform (Mindbridge) and performed searches on the memo and description sections of the general ledger detail to verify that there were no transactions with details that matched the names of the Covered List Companies.

5. Network Architecture Review

Moss Adams reviewed network diagrams and conducted a physical inspection of ENA network assets to validate the physical existence of network assets at two data center locations, which comprised approximately 52% of ENA network assets, and to confirm that the manufacturer and model in the CPR details provided matched the equipment in service. Moss Adams reviewed the CPR details and physical network assets to verify that key identifiers such as asset manufacturer, vendor and model could not be traced to Covered List Companies. In addition to the CPR, Moss Adams also obtained a network asset database from ENA that was produced from a network device polling process that occurs real-time in five minute intervals. The polling process identifies each device connected to the ENA network. Moss Adams observed this polling database and performed a Covered List Company key word search on the network asset listing to obtain reasonable assurance that no traces to Covered List Companies could be identified. Moss Adams also cross referenced the database to equipment at the physical inspection locations and noted that there was no Covered List Company equipment at those locations.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

Moss Adams 's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

Moss Adams's evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relevant to the disbursements of \$68,790,415 made from the E-Rate Program from July 1, 2021 to June 30, 2022 identified no audit findings.

** This concludes the audit report. **

Attachment D

SC2023BE003

Henry County Telephone Company
Audit ID: SC2023BE003

Performance audit for the Universal Service Fund Supply Chain Audit Program related to High-Cost Disbursements made from January 1, 2021, to December 31, 2021, and E-Rate disbursements made from July 1, 2021, to June 30, 2022.

Prepared for: Universal Service Administrative Company

As of Date: March 15, 2024

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EXECUTIVE SUMMARY

March 15, 2024

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 Supply Chain performance audit objective relative to Henry County Telephone Company (Universal Service Fund (“USF”) Recipient, Study Area Code (“SAC”) 341029 or “Henry County Telephone”) with Service Provider Identification Number (“SPIN”) 143001879, for disbursements of \$825,082 made from the USF’s High Cost Program from January 1, 2021 to December 31, 2021 and disbursements of \$10,200 made from the E-Rate Program from July 1, 2021 to June 30, 2022. Our work was performed from June 1, 2023, to March 15, 2024 and our results are as of March 15, 2024.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). 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 objective. We believe 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 objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) rules 47 C.F.R. § 54.9 and 47 C.F.R. § 54.10 (collectively, the “FCC Rules”) relative to disbursements of \$825,082 made from the High-Cost Program from January 1, 2021 to December 31, 2021 and disbursements of \$10,200 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, Moss Adams LLP did not identify any audit findings as a result of the work performed.

Moss Adams LLP cautions that projecting the results of our evaluation to future periods is subject to the risk 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 USF Recipient, and the FCC. It 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 and the FCC.

Sincerely,



[Enter Audit Firm Company Signature]

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President of Program Management, High Cost
Craig Davis, USAC Vice President of Program Management, Schools and Libraries

LIST OF ACRONYMS

Acronym	Definition
ACAM_II	Alternative Connect America Cost Model II
BEAR	Billed Entity Applicant Reimbursement form submitted for E-Rate reimbursement
Beneficiary	School or library that received equipment or services from the Service Provider which is the subject of this audit
BMIC	Basic Maintenance of Internal Connections
CAFII AUC	Connect America Fund Phase II Auction
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
C.F.R.	Code of Federal Regulations
COE	Central Office Equipment
Covered List Companies	Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company, and their parents, affiliates, and subsidiaries to the extent they were included on the Covered List for the applicable audit period.
Covered List	A list, published and maintained by the FCC's Public Safety and Homeland Security Bureau, of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.
CPRs	Continuing Property Records
FCC	Federal Communications Commission
FCC Form 481	Carrier Annual Reporting Data Collection Form
FCC Form 463	Rural Health Care Invoice to USAC for reimbursement
FCC Form 473	Service Provider Annual Certification Form
FRN	Funding Request Number
G/L	General Ledger
HCL	High Cost Loop
Henry County or USF Recipient	Henry County Telephone Company
MIBS	Managed Internal Broadband Services
RHC	Rural Health Care
SAC	Study Area Code
SPI	Service Provider Invoice form submitted for E-Rate reimbursement
TB	Trial Balance
TPUC	Telecommunications Plant Under Construction
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

Moss Adams LLP's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC’s direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund which includes four support mechanisms: High Cost, Lifeline, RHC, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the Federal Communications Commission (“FCC”) adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, which prohibits the use of any funds from the Universal Service Fund (“USF”) to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company posing a national security threat to the integrity of communications networks or the communications supply chain.¹ On December 10, 2020, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order* to implement the Secure and Trusted Communications Networks Act of 2019.² The *Second Report and Order* adopted a rule, codified at 47 C.F.R. § 54.10, which prohibits the use of certain federal subsidies, including USF funds, to purchase, rent, lease, or otherwise obtain any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, identified and published on the “Covered List.”³

The “Covered List” is a list of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.⁴ The FCC’s Public Safety and Homeland Security Bureau publishes and maintains the Covered List, including updating the list as needed from time to time.⁵ The current list can be found at <https://www.fcc.gov/supplychain/coveredlist>. Please note that the scope of this audit was limited to USF support, funds disbursed under appropriated programs were not in scope.

USAC engaged Moss Adams LLP to conduct a performance audit relating to the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$825,082 made from the High-Cost Program from January 1, 2021, to December 31, 2021, and disbursements of \$10,200 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Second Report and Order, 35 FCC Rcd 14284 (2020).

³ 47 C.F.R. Section 54.10.

⁴ *Public Safety and Homeland Security Bureau Announces Publication of the List of Equipment and Services Covered by Section 2 of The Secure Networks Act*, WC Docket No. 18-89, Public Notice, DA 21-309 (2021).

⁵ 47 CFR 1.50002.

USF Recipient Overview

Henry County Telephone (SPIN: 143001879), the subject of this performance audit, is located in Geneseo, Illinois and does business as Henry County Telephone Company. The USF Recipient is a stand-alone entity. Henry County Telephone provides telecommunication services including telephone and internet to its customers in Illinois.

High Cost

In the table below, we show the High Cost support disbursed by USAC to the USF Recipient during the twelve-month period from January 1, 2021 to December 31, 2021, by High Cost fund type:

High Cost Fund Type	Amount
ACAM_II	\$707,602
ICC	\$117,480
TOTAL	\$825,082

Source: USAC Open Data

The USF Recipient received High-Cost support from January 1, 2021, to December 31, 2021, based on legacy funds driven by historical data and modernized funds driven by deployment obligations.

HCL, CAF ICC, and CAF BLS funds disbursed in 2021 were based on forms submitted in 2020 that encompass 2020 data (line count data and totals of specific pre-designated G/L Accounts including all asset accounts that roll into the Telecom Plant in Service as well as specific deferred liabilities and operating expenses subject to the allocation between regulated and non-regulated activities). ACAM, BLS, HCL, ICC, and ICLS funds, disbursed in 2021, were based on the FCC support authorization public notice and subject to deployment obligations.

E-Rate

In the table below, we show the E-Rate support disbursed by USAC to the USF Recipient during the twelve months from July 1, 2021, to June 30, 2022, by E-Rate service type:

E-Rate Service Category	E-Rate Service Type	Amount
Category One	Data Transmission and/or Internet Access	\$10,200
	TOTAL	\$10,200

Source: USAC open data pre-discount amount

E-Rate Category One includes the services needed to support broadband connectivity to schools and libraries. Data transmission and/or Internet access services are eligible in Category One.⁶

⁶ Funding Year 2021 Eligible Services List, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

E-Rate Category Two includes the internal connections needed for broadband connectivity within schools and libraries. Broadband Internal Connections, MIBS and BMIC are eligible in Category Two.⁷

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$825,082 made from the High-Cost Program from January 1, 2021 to December 31, 2021 and disbursements of \$10,200 made from the E-Rate Program from July 1, 2021 to June 30, 2022.

SCOPE

The scope of this performance audit included, but was not limited to the reconciliation of USF support received to the USF recipient's underlying financial data, review of the Continuing Property Records ("CPRs") and G/L details, including the use of an audit software platform to perform searches of the memo and description fields in the G/L detail to identify transactions with details that match with the names of the Covered List Companies; review of internal network diagrams and internal scan outputs, if available; review of vendor policies, approved vendor lists, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered List Companies. The scope of our work relates to disbursements made from the High-Cost Program from January 1, 2021, to December 31, 2021; disbursements made from the E-Rate Program from July 1, 2021, to June 30, 2022.

Our performance audit includes, but is not limited to, the following focus areas:

1. Annual Supply Chain Certification
2. Reconciliation of USF expenditure
3. Review of asset records
4. Data analysis of relevant financial records
5. Network architecture review

PROCEDURES

1. Annual Supply Chain Certification

Moss Adams obtained the FCC Form 481, FCC Form 463, and FCC Form 473 filed in respect of 2021 and verified that:

For section 54.9, the USF Recipient certified that "no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or

⁷ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

services produced or provided by any company designated by Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

For section 54.10 the USF Recipient certified that “no Federal subsidy made available through a program administered by the Commission that provides funds to be used for the capital expenditures necessary for the provision of advanced communications services has been or will be used to purchase, rent, lease, or otherwise obtain, any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, as required by 47 C.F.R. § 54.10”.

2. Reconciliation of USF expenditure

Moss Adams reconciled USF disbursements to recipient records.

E-Rate

Moss Adams obtained details of the USF support received and reconciled the support to the USF Recipient’s underlying financial data. Moss Adams also analyzed transaction data and reviewed a sample of underlying documentation to verify that USF expenditure was adequately supported and did not include any expenditure items for network equipment and services that can be traced to Covered List Companies.

High Cost

Moss Adams obtained and reviewed evidence of projects completed using USF support and determined whether elements of the project expenditure involved network equipment and services that can be traced to Covered List Companies. Moss Adams also analyzed recipients’ financial and transactional information (including financial statements, general ledger accounts for vendor payments, invoices, contracts, and work order details) to identify potential transactions for equipment or services with Covered List Companies. Finally, Moss Adams reviewed recipient asset listings and related expense reports documentation and determined whether network elements are included in FCC’s Covered List.

3. Review of Asset Records

High Cost

Moss Adams obtained the COE CPRs and reconciled the amounts to the Trial Balance or G/L for accounts 2210 (Central Office – Switching) and 2230 (Central Office – Transmission) to ensure all telecommunications network equipment was accounted for in the carrier’s records. Moss Adams performed a keyword search of the COE CPRs to obtain reasonable assurance that the assets on the list could not be traced to the Covered List Companies. Moss Adams selected a non-statistical sample of 70 assets and requested supporting invoices to verify that the equipment details in the invoices matched the CPR details and that no equipment or services were produced or provided by the Covered List Companies. Moss Adams also searched the G/L for the TPUC account which would have any work-in-progress items that had yet been added to the CPRs.

Moss Adams noted Henry County Telephone Company had an open balance for TPUC in the 2021 G/L. Moss Adams obtained the work-in-progress listing and reconciled the total to the Trial Balance or G/L for account 2003 (TPUC) to ensure that it was a complete listing. Moss Adams selected five out of five work-in-progress items and requested detail listings of them to verify that no equipment or services were produced or provided by the Covered List Companies.

E-Rate

Moss Adams selected one out of one Funding Request Number for testing. This represents 100% coverage of the disbursed dollars and also represents each type of service that was funded for our audit period.

For the one selected FRN with Category One services, Moss Adams obtained the underlying Henry County Telephone Company bills that support the BEAR/SPI forms that were submitted to USAC for reimbursement. Moss Adams reviewed the bills to determine if any equipment was included as part of the Category One services. Moss Adams also inquired of Henry County Telephone to understand if any equipment was provisioned to the Beneficiary as part of this service. Moss Adams noted no equipment was provisioned to the Beneficiary as part of the Category One service. Henry County Telephone confirmed any equipment used to provide the service was included in the network documentation provided. Moss Adams reviewed the Henry County Telephone network, which was used to provide the Category One service, as described in the Network Architecture section below.

4. Data Analysis of Relevant Financial Records

Moss Adams obtained general ledger activity files for the funding periods. Moss Adams imported the general ledger files into an audit software platform (Mindbridge) and performed searches on the memo and description sections of the general ledger detail to verify that there were no transactions with details that matched the names of the Covered List Companies.

5. Network Architecture Review

Moss Adams reviewed network diagrams and conducted a physical inspection of Henry County Telephone's network to validate the physical existence of COE assets at 2 central offices, including the primary central office for the network, and to confirm that the manufacturer and model in the COE CPR details provided matched the equipment in service. We reviewed the COE CPR details and physical COE assets to verify that key indicators such as asset manufacturer, vendor, and model could not be traced to the Covered List Companies. In addition to the COE CPRs, Moss Adams also obtained a network asset listing from Henry County Telephone. Moss Adams performed a keyword search of this network asset listing as well to obtain reasonable assurance that no assets could be traced to Covered List Companies. Moss Adams notes that Henry County does not have a centralized network management software platform. Instead, Henry County relies on Calix's Management system to collect alarms and push software upgrades to the C7 & E7-2 shelves. Based on the lack of a centralized network management software platform, Moss Adams was unable to complete an internal network scan.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

Moss Adams's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

Moss Adams' evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9, and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relevant to the disbursements made from the High Cost Program from January 1, 2021 to December 31, 2021; the disbursements made from the E-Rate Program from July 1, 2021, to June 30, 2022; identified no audit findings.

** This concludes the audit report. **

Attachment E

SC2023BE008

*Golden West Telecommunications Cooperative Inc.
Audit ID: SC2023BE008*

Performance audit for the Universal Service Fund Supply Chain Audit Program related to High-Cost Disbursements made from January 1, 2021, to December 31, 2021; E-Rate disbursements made from July 1, 2021, to June 30, 2022; and Rural Health Care disbursements made from July 1, 2021, to June 30, 2022.

Prepared for: Universal Service Administrative Company

As of Date: March 14, 2024

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EXECUTIVE SUMMARY

March 14, 2024

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 Supply Chain performance audit objective relative to Golden West Telecommunications Cooperative (Universal Service Fund (“USF”) Recipient, Study Area Code (“SAC”) 391659 or “Golden West Telecomm”) with Service Provider Identification Number (“SPIN”) 143002233, for disbursements of \$36,656,679 made from the USF’s High Cost Program from January 1, 2021 to December 31, 2021; disbursements of \$84,214 made from the USF’s E-Rate Program from July 1, 2021 to June 30, 2022; and disbursements of \$2,796 made from the USF’s Rural Health Care (“RHC”) Program from July 1, 2021 to June 30, 2022. Our work was performed from June 1, 2023 to March 14, 2024, and our results are as of March 14, 2024.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). 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 objective. 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 objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) rules 47 C.F.R. § 54.9 and 47 C.F.R. § 54.10 (collectively, the “FCC Rules”) relative to disbursements of \$36,656,679 made from the High Cost Program from January 1, 2021, to December 31, 2021, disbursements of \$84,214 made from the E-Rate Program from July 1, 2021, to June 30, 2022, and disbursements of \$2,796 made from the RHC Program from July 1, 2021, to June 30, 2022.

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, Moss Adams LLP did not identify any audit findings as a result of the work performed.

Moss Adams LLP cautions that projecting the results of our evaluation to future periods is subject to the risk 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 USF Recipient, 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 and the FCC.

Sincerely,



cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President of Program Management, High Cost
Craig Davis, USAC Vice President of Program Management, Schools and Libraries
Mark Sweeney, USAC Vice President of Program Management, Rural Health Care

LIST OF ACRONYMS

Acronym	Definition
ACAM_II	Alternative Connect America Cost Model II
BEAR	Billed Entity Applicant Reimbursement form submitted for E-Rate reimbursement
Beneficiary	School, library, or health care facility that received equipment or services from the Service Provider which is the subject of this audit
BMIC	Basic Maintenance of Internal Connections
CAFII AUC	Connect America Fund Phase II Auction
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Intercarrier Compensation
C.F.R.	Code of Federal Regulations
COE	Central Office Equipment
Covered List Companies	Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company, and their parents, affiliates, and subsidiaries to the extent they were included on the Covered List for the applicable audit period.
Covered List	A List, published and maintained by the FCC's Public Safety and Homeland Security Bureau, of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States of the security and safety of United States persons.
CPRs	Continuing Property Records
FCC	Federal Communications Commission
FCC Form 481	Carrier Annual Reporting Data Collection Form
FCC Form 463	Rural Health Care Invoice to USAC for reimbursement
FCC Form 473	Service Provider Annual Certification Form
FRN	Funding Request Number
G/L	General Ledger
Golden West or USF Recipient	Golden West Telecommunications Cooperative
HCL	High Cost Loop
ICLS	Interstate Common Line Support
MIBS	Managed Internal Broadband Services
RHC	Rural Health Care
SAC	Study Area Code
SPI	Service Provider Invoice form submitted for E-Rate reimbursement
TB	Trial Balance
TPUC	Telecommunications Plant Under Construction
USAC	Universal Service Administrative Company
USF	Universal Service Fund

Beneficiary School, library, or health care facility that received equipment or services from the Service Provider which is the subject of this audit

AUDIT RESULTS AND RECOVERY ACTION

Moss Adams LLP's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC’s direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund, which includes four support mechanisms: High Cost, Lifeline, RHC, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the Federal Communications Commission (“FCC”) adopted the Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs *First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, which prohibits the use of any funds from the Universal Service Fund (“USF”) to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company posing a national security threat to the integrity of communications networks or the communications supply chain.¹ On December 10, 2020, the FCC adopted the Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs *Second Report and Order* to implement the Secure and Trusted Communications Networks Act of 2019.² The *Second Report and Order* adopted a rule, codified at 47 C.F.R. § 54.10, which prohibits the use of certain federal subsidies, including USF funds, to purchase, rent, lease, or otherwise obtain any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, identified and published on the “Covered List.”³

The “Covered List” is a list of covered communications equipment and services that are deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons.⁴ The FCC’s Public Safety and Homeland Security Bureau publishes and maintains the Covered List, by updating the list as needed from time to time.⁵ The current list can be found at <https://www.fcc.gov/supplychain/coveredlist>. Please note that the scope of this audit was limited to USF support, funds disbursed under appropriated programs were not in scope.

USAC engaged Moss Adams LLP to conduct a performance audit relating to the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$36,656,679 made from the High Cost Program from January 1, 2021 to December 31, 2021; disbursements of \$84,214 made from the E-Rate Program from

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Second Report and Order, 35 FCC Rcd 14284 (2020).

³ 47 C.F.R. Section 54.10.

⁴ *Public Safety and Homeland Security Bureau Announces Publication of the List of Equipment and Services Covered by Section 2 of The Secure Networks Act*, WC Docket No. 18-89, Public Notice, DA 21-309 (2021).

⁵ 47 CFR 1.50002.

July 1, 2021, to June 30, 2022; and disbursements of \$2,796 made from the RHC Program from July 1, 2021, to June 30, 2022.

USF Recipient Overview

Golden West (SPIN: 143002233), the subject of this performance audit, is located in Wall, South Dakota, and does business as Golden West Telecommunications Cooperative. The USF Recipient is a stand-alone entity. Golden West provides telecommunications services including telephone, broadband, and video to its customers in South Dakota.

High Cost

In the table below, we show the High Cost support disbursed by USAC to the USF Recipient during the twelve-month period from January 1, 2021 to December 31, 2021, by High Cost fund type:

High Cost Fund Type	Amount
ACAM_II	\$32,522,792
CAF BLS	(\$310,680)
HCL	(\$55,834)
CAF ICC	\$4,553,000
ICLS	(\$52,599)
TOTAL	\$36,656,679

Source: USAC open data

The USF Recipient received High Cost support from January 1, 2021 to December 31, 2021, based on legacy funds driven by historical data and modernized funds driven by deployment obligations.

HCL, CAF ICC and CAF BLS funds disbursed in 2021, were based on forms submitted in 2020 that encompass 2020 data (line count data and totals of specific pre-designated G/L Accounts including all asset accounts that comprise the Telecom Plant in Service as well as specific deferred liabilities and operating expenses subject to the allocation between regulated and non-regulated activities). ACAM, BLS, HCL, ICC, and ICLS funds, disbursed in 2021, were based on the FCC support authorization Public Notice and subject to deployment obligations.

E-Rate

In the table below, we show the E-Rate support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2021 to June 30, 2022, by E-Rate service type:

E-Rate Service Category	E-Rate Service Type	Amount
Category One	Data Transmission and/or Internet Access	\$84,214
	TOTAL	\$84,214

Source: USAC open data pre-discount amount

E-Rate Category One includes the services needed to support broadband connectivity to schools and libraries. Data transmission and/or Internet access services are eligible in Category One.⁶

E-Rate Category Two includes the internal connections needed for broadband connectivity within schools and libraries. Broadband Internal Connections, MIBS and BMIC are eligible in Category Two.⁷ Golden West received no Category 2 disbursements during the period under audit.

RHC

In the table below, we show the RHC support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2021 to June 30, 2022, by RHC Program Fund:

RHC Program Fund	Amount
Healthcare Connect Fund	\$2,796
TOTAL	\$2,796

Source: USAC open data

The RHC Program funds two types of services: Voice and Data services via the Telecommunications Program and Broadband services via the Healthcare Connect Fund. Golden West received no funding via the Telecommunications Program during the period under audit.

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9 and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relative to disbursements of \$36,656,679 made from the High-Cost Program from January 1, 2021 to December 31, 2021; disbursements of \$84,214 made from the E-Rate Program from July 1, 2021 to June 30, 2022; and disbursements of \$2,796 made from the RHC Program from July 1, 2021 to June 30, 2022.

SCOPE

The scope of this performance audit included but was not limited to the reconciliation of USF support received to the USF Recipient’s underlying financial data, review of the Continuing Property Records (“CPRs”) and G/L details, including the use of an audit software platform to perform searches of the memo and description fields in the G/L detail to identify transactions with details that match with the names of the Covered List Companies; review of internal network diagrams and internal scan outputs, where available; review of vendor policies, approved vendor lists, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered List Companies. The scope of our work relates to disbursements made from the High Cost Program from January 1, 2021 to December 31, 2021; disbursements made

⁶ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

⁷ *Funding Year 2021 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

from the E-Rate Program from July 1, 2021 to June 30, 2022; and disbursements made from the RHC Program from July 1, 2021 to June 30, 2022.

Our performance audit included, but was not limited to the following focus areas:

1. Annual supply chain certification
2. Reconciliation of USF expenditure
3. Review of asset records
4. Data analysis of relevant financial records
5. Network architecture review

PROCEDURES

1. Annual Supply Chain Certification

Moss Adams obtained the FCC Form 481, FCC Form 463 and FCC Form 473 filed in to support the USF disbursements under audit and verified that:

For section 54.9, the USF Recipient certified that “no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

For section 54.10 the USF Recipient certified that “no Federal subsidy made available through a program administered by the Commission that provides funds to be used for the capital expenditures necessary for the provision of advanced communications services has been or will be used to purchase, rent, lease, or otherwise obtain, any covered communications equipment or service, or maintain any covered communications equipment or service previously purchased, rented, leased, or otherwise obtained, as required by 47 C.F.R. § 54.10.”

2. Reconciliation of USF Expenditure

Moss Adams reconciled USF disbursements to recipient records.

E-Rate and RHC

Moss Adams obtained details of USF support received and reconciled the support to the USF Recipient’s underlying financial data. Moss Adams also analyzed transaction data and reviewed a sample of underlying documentation to verify that USF expenditure was adequately supported and did not include any expenditure items for network equipment and services that can be traced to Covered List Companies.

High Cost

Moss Adams obtained and reviewed evidence of projects completed using USF support and determined whether elements of the project expenditure involved network equipment and

services that can be traced to Covered List Companies Moss Adams also analyzed recipients' financial and transactional information (including financial statements, general ledger accounts for vendor payments, invoices, contracts, and work order details) to identify potential transactions for equipment or services with Covered List Companies. Finally, Moss Adams reviewed recipient asset listings and related expense reports documentation and determined whether network elements are included in FCC's Covered List.

3. Review of Asset Records

High Cost

Moss Adams obtained the Central Office Equipment CPRs and reconciled the amounts to the Trial Balance or G/L for accounts 2210 (Central Office – Switching) and 2230 (Central Office – Transmission) to ensure all telecommunications network equipment was accounted for in the carrier's records. Moss Adams performed a keyword search of the COE CPRs to obtain reasonable assurance that the assets on the list could not be traced to the Covered List Companies. Moss Adams selected a non-statistical sample of 70 assets and requested supporting invoices to verify that the equipment details in the invoices matched the CPR details and that no equipment or services were produced or provided by the Covered List Companies. Moss Adams also searched the G/L for the Telecom Plant Under Construction account which would have any work-in-progress items that had yet been added to the CPRs.

Moss Adams noted Golden West Telecommunications had an open balance for TPUC in the 2021 G/L. Moss Adams obtained the work-in-progress listing and reconciled the total to the Trial Balance or G/L for account 2003.100000 (TPUC) to ensure that it was a complete listing. Moss Adams selected five out of five work-in-progress items and requested detailed listings of them to verify that no equipment or services were produced or provided by the Covered List Companies.

E-Rate

Moss Adams selected thirteen out of thirteen Funding Request Numbers for testing. This represents 100% coverage of the disbursed dollars and also represents each type of service that was funded for our audit period.

For the thirteen selected FRNs with Category One services, Moss Adams obtained the underlying Golden West bills that support the BEAR/SPI forms that were submitted to USAC for reimbursement. Moss Adams reviewed the bills to determine if any equipment was included as part of the Category One services. Moss Adams also inquired of Golden West to understand if any equipment was provisioned to the Beneficiary as part of this service. Moss Adams noted that no equipment was provisioned to the Beneficiary as part of the Category One service and that Golden West confirmed that any equipment used to provide the service was included in the network documentation provided. Moss Adams reviewed the Golden West network, which was used to provide the Category One service, as described in the Network Architecture section below.

RHC

Moss Adams selected two out of two FRN for testing, representing 100% coverage of the disbursed dollars. Moss Adams obtained the underlying Golden West bills that support the FCC Form 463 that

were submitted to USAC for reimbursement. Moss Adams reviewed the bills for this FRN to determine if any equipment was included as part of the service provided. Moss Adams also inquired of Golden West to understand if any equipment was provisioned to the Beneficiary as part of this service. Moss Adams noted that no equipment was provisioned to the Beneficiary as part of the broadband service provided and that Golden West confirmed that any equipment used to provide the service was included in the network documentation provided. Moss Adams reviewed the Golden West network, which was used to provide the broadband service, as described in the Network Architecture section below.

4. Data Analysis of Relevant Financial Records

Moss Adams obtained general ledger activity files for the funding periods. Moss Adams imported the general ledger files into an audit software platform (Mindbridge) and performed searches on the memo and description sections of the general ledger detail to verify that there were no transactions with details that matched the names of the Covered List Companies.

5. Network Architecture Review

Moss Adams reviewed network diagrams and conducted a physical inspection of Golden West's network to validate the physical existence of COE assets at five central offices, including the primary central office supporting the broader network and to confirm that the manufacturer and model in the COE CPR details provided matched the equipment in service. We reviewed the COE CPR details and physical COE assets to verify that key identifiers such as asset manufacturer, vendor and model could not be traced to Covered List Companies. In addition to the COE CPRs, Moss Adams also obtained a network asset listing from Golden West. Moss Adams noted this listing was extracted from a network monitoring tool. Moss Adams performed a keyword search of this network asset listing as well to obtain reasonable assurance that no assets could be traced to Covered List Companies.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

Moss Adams's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

Moss Adams' evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, rule 47 C.F.R. § 54.9, and *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs Second Report and Order*, rule 47 C.F.R. § 54.10, relevant to the disbursements made from the High Cost Program from January 1, 2021 to December 31, 2021; the disbursements made from the E-Rate Program from July 1, 2021 to June 30, 2022 and the disbursements made from the RHC Program from July 1, 2021 to June 30, 2022; identified no audit findings.

** This concludes the audit report.**