



High Cost & Low Income

Audit Reports Briefing Book

Monday, January 27, 2025

Available for Public Use

Universal Service Administrative Company

700 12th Street, NW, Suite 900

Washington, DC 20005

Summary of the High Cost Support Mechanism Beneficiary Audit Report Released: October 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A Livingston Telephone Company, Inc.	2	No significant findings.	\$1,624,260	\$21,475	\$21,475	N
Total	2		\$1,624,260	\$21,475	\$21,475	

Attachment A

HC2023LR003

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Livingston Telephone Company, Inc.

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund High Cost Support Mechanism Rules

USAC Audit No. HC2023LR003

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EXECUTIVE SUMMARY

May 9, 2024

Deborah Rand, President
Livingston Telephone Company Inc.
701 W. Church Street
Suite B
Livingston, TX 77351

Dear Ms. Rand:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of Livingston Telephone Company Inc. (“Livingston” or “Beneficiary”) disbursements, study area code 442107, for the audit year 2021 using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64, and 69, as well as other program requirements (collectively, Federal Communications Commission (FCC) Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. AAD’s responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD’s findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed two detailed audit findings (Findings), as discussed in the Audit Results and Recovery Action section. For reporting purposes, a Finding is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

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

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

Sincerely,



Jeanette Santana-Gonzalez
USAC Senior Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary and Recommended Recovery		
	CAF ICC ¹	CAF BLS	Total
Finding #1: 47 C.F.R. § 51.917(e)(1),(2); 47 C.F.R. § 51.917(f)(2) (2020) – Inaccurate Access Recovery Charge (ARC) Revenues. The Beneficiary under-reported total ARC revenues filed with USAC for program year July 2018 to June 2019.	\$12,437	\$0	\$12,437
Finding #2: 47 C.F.R. § 51.917(d)(v) – Inaccurate Interstate Switched Access Service Revenues (SAR). The Beneficiary incorrectly reported SAR for program years July 2018 to June 2019 and July 2019 to June 2020, including omission of July 2019 actual SAR data from its filings with USAC.	\$9,038	\$0	\$9,038
Total	\$21,475	\$0	\$21,475

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery from the Beneficiary for SAC 442107, for the High Cost Program support in the amount noted in the chart below.

The Beneficiary must also implement policies and procedures necessary to comply with FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure correct application of its procedures to ensure compliance with FCC Rules and Orders.

	CAF ICC (A)	CAF BLS (B)	USAC Recovery Action (A) + (B)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	\$12,437	\$0	\$12,437	
Finding #2	\$9,038	\$0	\$9,038	
Mechanism Total	\$21,475	\$0	\$21,475	

¹ The CAF ICC program year provides for the disbursement of funds on a July to June basis, with true-up payments disbursed two years after the program year. The true-up payment for the 2018 – 2019 CAF ICC program year was disbursed from July 2020 to June 2021 (based on data submitted in June 2020) and the true-up payment for the 2019 – 2020 CAF ICC program year was disbursed from July 2021 to July 2022 (based on data submitted in June 2021). The audit period includes an examination of disbursements paid in the calendar year 2021; therefore, the monetary effect of this Finding accounts for the last six months of the true-up payment that occurred from January to June 2021 which corresponds to the 2018–2019 program year and the first six months of the true-up payment that occurred from July to December 2020 corresponds to the 2019 – 2020 program year.

PURPOSE, SCOPE, AND PROCEDURES

PURPOSE

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

SCOPE

In the following chart, AAD summarizes the High Cost Program support that was included in the scope of this audit:

High Cost Support	Documentation Period	Disbursement Period	Disbursements Audited
Connect America Fund (CAF) Intercarrier Compensation (ICC)	2018-2020	2021	\$515,406
Connect America Fund (CAF) Broadband Loop Support (BLS)	2019	2021	\$1,108,854
Total			\$1,624,260

BACKGROUND

The Beneficiary is an average schedule eligible telecommunications carrier (ETC) that operates in Texas. Livingston Telephone Company operates under trade name, Highline Fast, and is a subsidiary of New Hampshire-based parent company, USConnect Holdings, Inc.

PROCEDURES

AAD performed the following procedures:

A. High Cost Program Support Amount

AAD recalculated the support that the Beneficiary received for each High Cost component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost system.

B. High Cost Program Process

AAD obtained an understanding of the Beneficiary's processes related to the High Cost Program to determine whether the Beneficiary complied with FCC Rules. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with the dates established by FCC Rules (*i.e.*, month or year-end, as appropriate).

C. Revenues

AAD obtained and examined the general ledger, invoices, and other related documentation to determine whether the Beneficiary reported accurate common line and loop counts to support reported revenue balances.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 51.917(e)(1),(2); 47 C.F.R § 51.917(f)(2) (2020) – Inaccurate Access Recovery Charge Revenues

CONDITION

AAD obtained and examined the Beneficiary’s supporting documentation to determine whether the Beneficiary reported the accurate maximum Access Recovery Charge Revenues (ARC Revenues) for High Cost program purposes.² Based on AAD's review of the Beneficiary's supporting documentation, the Beneficiary used the ARC revenue from its general ledger to report its ARC revenue, rather than imputing the ARC revenue.³ To impute the Beneficiary’s ARC Revenues, AAD examined the Beneficiary’s line counts and multiplied them by the maximum ARC rate.⁴ Based on the line counts provided by the Beneficiary in the Beneficiary’s supporting documentation, AAD identified the following differences between the Beneficiary’s imputed ARC revenues and the Beneficiary’s the Beneficiary’s ARC Revenues:

Summary of ARC Revenue Differences	Program Year 2018-2019	Program Year 2019-2020	Total
Beneficiary Reported ARC Revenues	\$156,267	\$145,344	\$301,611
AAD Imputed ARC Revenues	\$170,940	\$155,544	\$326,484
Difference: Over/(Under) Reported	(\$14,673)	(\$10,200)	(\$24,873)

Because the imputed ARC Revenues were greater than the Beneficiary’s reported ARC Revenues, AAD concludes that the Beneficiary did not report the maximum ARC charges.⁵

CAUSE

FCC Rules require carriers to impute the maximum charges it could have assessed.⁶ The Beneficiary did not have an adequate system of checks and independent reviews in place for monitoring ARC Revenue data calculated by its consultant and reported for HC program purposes.⁷

EFFECT

AAD calculated the monetary effect of this finding by adding the understated amounts to the reported revenues by the Beneficiary in its ARC Revenue accounts in its CAF ICC filing. AAD summarized the results below:

Support Type	Monetary Effect and Recommended Recovery
CAF ICC	\$12,437

² 47 C.F.R. § 51.917(f)(2) (2019).

³ 47 C.F.R. § 51.917(e) (2019).

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ AAD inquired about the cause for these errors; however, the Beneficiary did not provide an explanation as of Feb. 1, 2024.

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amounts identified in the Effect section above.

The Beneficiary must ensure it has an adequate system to report accurate data for High Cost Program purposes and a process to independently review for completeness and accuracy any data filed to federal agencies to demonstrate compliance with FCC Rules. The Beneficiary must develop and implement policies, procedures, and processes that describe how the Beneficiary substantiates the inputs, and calculates, documents, and ensures accurate reporting of the access recovery charge revenues reported for High Cost program purposes. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC's website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/>.

BENEFICIARY RESPONSE

The beneficiary agrees with the finding. There were USOC codes that should have been charged the ARC in the billing system.

Finding #2: 47 C.F.R. § 51.917(d)(v) – Inaccurate Interstate Switched Access Service Revenues

CONDITION

AAD obtained and examined the Beneficiary's Tariff Review Plan, general ledger and Carrier Access Billing System (CABS) reconciliation and related source documents to determine whether the Beneficiary reported accurate Interstate Switched Access Service Revenues (Interstate SAR) for High Cost program years 2018 – 2019 and 2019 – 2020.⁸ Based on AAD's review of the Beneficiary's supporting documentation, the Beneficiary under-reported its Interstate SAR for its CAF ICC submission. The differences are summarized below:

Description	Program Year 2018-2019	Program Year 2019-2020	Total
Reported Interstate Revenues	\$44,967	\$52,521	\$97,488
Actual Interstate Revenues per General Ledger	\$29,676	\$49,736	\$79,412
Difference: Over/(Under) Reported	(\$15,291)	(\$2,785)	(\$18,076)

Per the FCC Rules, the true-up revenues from an access service are equal to the projected demand minus the actual realized demand for that service times the default transition rate for that service.⁹ AAD used the general ledger as the basis for the actual realized demand for the Interstate revenue. Because the Beneficiary's supporting documentation (the general ledger) did not agree to the amount that was reported, AAD

⁸ 47 C.F.R. § 51.917(d) (2019).

⁹ See 47 CFR § 51.917(b)(6) (2019).

concludes that the Beneficiary did not report accurate Interstate Revenue. The Beneficiary must report accurate Interstate Revenue for High Cost program purposes.

CAUSE

FCC Rules require carriers who receive payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, to treat such payments as actual revenue in the year the payment is received and this must reflect this as an additional adjustment for that year.¹⁰ The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report accurate Interstate Revenue for High Cost purposes. The Beneficiary stated they relied on the consultant work without proper review process. The Beneficiary’s consultant stated that the under-reported Direct Trunk revenues resulted due to its failure to use a detailed report.¹¹

EFFECT

AAD calculated the monetary effect of this finding by adding the under-reported amount to the total Interstate Switched Access Revenue amount reported by the Beneficiary in its CAF ICC filings for the respective reporting periods. The results of this effort are summarized as follows:

Support Type	Monetary Effect and Recommended Recovery
CAF ICC	\$9,038

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amounts identified in the Effect section above.

The Beneficiary must ensure it has an adequate system to report accurate data for High Cost Program purposes and a process to independently review, for completeness and accuracy, any data filed to federal agencies to demonstrate compliance with FCC Rules. The Beneficiary must also establish additional controls to ensure final revenues reported in its CAF ICC filings reconcile to the general ledger and review the work of its consultant. Finally, the Beneficiary must develop and implement policies, procedures, and processes that describe how the Beneficiary substantiates the inputs, and calculates, documents, and ensures accurate reporting of the Interstate SAR for High Cost program purposes.

The Beneficiary may learn more about documentation and reporting requirements on USAC’s website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/>.

BENEFICIARY RESPONSE

The beneficiary agrees with the finding. There was a linking error in the pivot table used to report direct trunk revenues. The IBIS revenue adjustment was included in the GL entry as it should have been, but it was not included in the pivot table used to report revenues.

¹⁰ *Id.*

¹¹ Based on discussion during the Oct 19, 2023 bi-weekly status meeting.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 51.917(e) (2019)	<p>ACCESS RECOVERY CHARGE.</p> <p>(1) A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may be assessed a subscriber line charge pursuant to § 69.104 of this chapter, to the extent necessary to allow the Rate-of-Return Carrier to recover some or all of its Eligible Recovery determined pursuant to paragraph (d) of this section, subject to the caps described in paragraph (e)(6) of this section. A Rate-of-Return Carrier may elect to forgo charging some or all of the Access Recovery Charge.</p> <p>(2) Total Access Recovery Charges calculated by multiplying the tariffed Access Recovery Charge by the projected demand for the year may not recover more than the amount of eligible recovery calculated pursuant to paragraph (d) of this section for the year beginning on July 1.</p> <p>(3) For the purposes of this section, a Rate-of-Return Carrier holding company includes all of its wholly-owned operating companies. A Rate-of-Return Carrier Holding Company may recover the eligible recovery attributable to any Rate-of-Return study areas operated by its wholly-owned operating companies that are Rate-of-Return incumbent local exchange carriers through assessments of the Access Recovery Charge on end users in any Rate-of-Return study areas operated by its wholly-owned operating companies that are Rate-of-Return incumbent local exchange carriers.</p> <p>(4) Distribution of Access Recovery Charges among lines of different types</p> <p>(i) A Rate-of-Return Carrier that does not receive ICC-replacement CAF support (whether because they elect not to or because they do not have sufficient eligible recovery after the Access Recovery Charge is assessed or imputed) may not recover a higher ratio of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than the following ratio (using holding company lines):</p> <p>(A) The number of Residential and Single-Line Business lines assessed an End User Common Line charge (excluding Lifeline Customers), divided by</p>

Finding	Criteria	Description
		<p>(B) The sum of the number of Residential and Single-Line Business lines assessed an End User Common Line charge (excluding Lifeline Customers), and two (2) times the number of End User Common Line charges assessed on Multi-Line Business customers.</p> <p>(5) For purposes of this subpart, Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge.</p> <p>(i) For purposes of this subpart, Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.</p> <p>(ii) [Reserved]</p> <p>(6) PER-LINE CAPS AND OTHER LIMITATIONS ON ACCESS RECOVERY CHARGES.</p> <p>(i) For each line other than lines of Lifeline Customers assessed a primary residential or single-line business end user common line charge pursuant to § 69.104 of this chapter, a Rate-of-Return Carrier may assess an Access Recovery Charge as follows:</p> <p>(A) Beginning July 1, 2012, a maximum of \$0.50 per month for each line;</p> <p>(B) Beginning July 1, 2013, a maximum of \$1.00 per month for each line;</p> <p>(C) Beginning July 1, 2014, a maximum of \$1.50 per month for each line;</p> <p>(D) Beginning July 1, 2015, a maximum of \$2.00 per month for each line;</p> <p>(E) Beginning July 1, 2016, a maximum of \$2.50 per month for each line; and</p> <p>(F) Beginning July 1, 2017, a maximum of \$3.00 per month for each line.</p> <p>(ii) For each line assessed a multi-line business end user common line charge pursuant to § 69.104 of this chapter, a Rate-of-Return Carrier may assess an Access Recovery Charge as follows:</p>

Finding	Criteria	Description
		<p>(A) Beginning July 1, 2012, a maximum of \$1.00 per month for each multi-line business end user common line charge assessed;</p> <p>(B) Beginning July 1, 2013, a maximum of \$2.00 per month for each multi-line business end user common line charge assessed;</p> <p>(C) Beginning July 1, 2014, a maximum of \$3.00 per month for each multi-line business end user common line charge assessed;</p> <p>(D) Beginning July 1, 2015, a maximum of \$4.00 per month for each multi-line business end user common line charge assessed;</p> <p>(E) Beginning July 1, 2016, a maximum of \$5.00 per month for each multi-line business end user common line charge assessed; and</p> <p>(F) Beginning July 1, 2017, a maximum of \$6.00 per month for each multi-line business end user common line charge assessed.</p> <p>(iii) The Access Recovery Charge allowed by paragraph (e)(6)(i) of this section may not be assessed to the extent that its assessment would bring the total of the Rate Ceiling Component Charges above the Residential Rate Ceiling. This limitation does not apply to single-line business customers.</p> <p>(iv) The Access Recovery Charge allowed by paragraph (e)(6)(ii) of this section may not be assessed to the extent that its assessment would bring the total of the multi-line business end user common line charge and the Access Recovery Charge above \$12.20 per line.</p> <p>(v) The Access Recovery Charge may not be assessed on lines of Lifeline Customers.</p> <p>(vi) If in any year, the Rate of return carriers' Access Recovery Charge is not at its maximum, the succeeding year's Access Recovery Charge may not increase more than \$0.50 per line for charges under paragraph (e)(6)(i) of this section or \$1.00 per line for charges assessed under paragraph (e)(6)(ii) of this section.</p> <p>(vii) A Price Cap Carrier with study areas that are subject to rate-of-return regulation shall recover its eligible recovery for such study areas through the recovery procedures specified in this section. For that purpose, the provisions of paragraph (e)(3) of this section shall apply to the rate-of-return study areas if the applicable conditions in paragraph (e)(3) of this section are met.</p>
#1	47 C.F.R. § 51.917(f)(2) (2019)	Beginning July 1, 2012, a Rate-of-Return Carrier may recover any eligible recovery allowed by paragraph (d) of this section that it could not have recovered through charges assessed pursuant to paragraph (e) of this section from CAF ICC Support pursuant to §

Finding	Criteria	Description
		54.304. For this purpose, the Rate-of-Return Carrier must impute the maximum charges it could have assessed under paragraph (e) of this section.
#2	47 C.F.R. § 51.917(d)(v) (2019)	If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.
#2	47 C.F.R. § 51.917 (b)(6) (2019)	<i>True-up Revenues. True-up Revenues from an access service are equal to (projected demand minus actual realized demand for that service) times the default transition rate for that service specified by § 51.909. True-up Revenues from a non-access service are equal to (projected demand minus actual realized net demand for that service) times the default transition rate for that service specified by § 20.11(b) of this chapter or § 51.705. Realized demand is the demand for which payment has been received, or has been made, as appropriate, by the time the true-up is made.</i>

****This concludes the report.****

Summary of the High Cost Support Mechanism Beneficiary Audit Reports Released: November 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action	Entity Disagreement
Attachment B Lancaster Telephone Co.	3	<ul style="list-style-type: none"> <u>47 C.F.R §§ 32.2000(g)(2) and 32.3100 – Inaccurate Depreciation Expense and Accumulated Depreciation Calculation:</u> The Beneficiary reported incorrect depreciation and accumulated depreciation expense amounts. 	\$2,530,056	(\$502,113)	\$0	Partial
Attachment C Lismore Cooperative Telephone Co.	0	<ul style="list-style-type: none"> Not applicable. 	\$72,234	\$0	\$0	N/A
Attachment D DeKalb Telephone Cooperative, Inc.	0	<ul style="list-style-type: none"> Not applicable. 	\$404,688	\$0	\$0	N/A
Total	3		\$3,006,978	(\$502,113)	\$0	

* The Monetary Effect amount may result in negative amounts that appear to be an underpayment. However, USAC’s policy is not to issue support in the case of an audit finding (i.e., FCC rule violation) when the calculation results in a net underpayment.

Attachment B

HC2023LR023

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

LIMITED REVIEW PERFORMANCE AUDIT

LANCASTER TELEPHONE COMPANY

**COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND
HIGH COST SUPPORT MECHANISM RULES**

USAC AUDIT No. HC2023LR023



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**FINDING No. 1: 47 C.F.R. § 32.2000(g)(2) (2019) AND 47 C.F.R § 32.3100 (2019) –
 INACCURATE DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION CALCULATION 7**

**FINDING No. 2: 47 C.F.R. § 32.12(a) (2019), 47 C.F.R. § 54.320(b) (2019) – INADEQUATE
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CRITERIA 16



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

Executive Summary

September 19, 2024

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, N.W., Suite 900
Washington, DC 20005

Dear Ms. Delmar:

Sikich CPA LLC¹ (referred to as “we”) was engaged to conduct a performance audit on the compliance of Lancaster Telephone Company (Beneficiary), study area code **240531** for disbursements made from the federal Universal High Cost (HC) Program during the year ended December 31, 2019. We conducted the audit field work from March 7, 2023, to September 19, 2024.

We conducted the 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 its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The objectives of this performance audit were to evaluate the Beneficiary’s compliance with the regulations and orders governing the federal Universal Service HC Support Mechanism, set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64, and 69, as well as the Federal Communications Commission’s (FCC’s) Orders governing the Universal Service Support for the HC Program relative to disbursements (collectively, FCC Rules). Compliance with FCC Rules is the responsibility of the Beneficiary’s management. Sikich’s responsibility is to evaluate the Beneficiary’s compliance with FCC Rules based on our limited scope performance audit.

Based on the test work performed, our examination disclosed three detailed audit findings, as discussed in the Audit Results and Recovery Action section. For the purpose of this report, a

¹ Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC” (herein referred to as “Sikich”). Effective January 1, 2024, we acquired CLA’s federal practice, including its work for the Universal Service Administrative Company.

“finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

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

Audit Results and Recovery Action

Our performance audit procedures identified three detailed audit findings, which are summarized below.

Audit Results	Monetary Effect				Recommended Recovery ²
	CAF BLS	HCL	CAF ICC	Total ³	
<p>Finding No. 1: 47 C.F.R. § 32.2000(g)(2) (2019) and 47 C.F.R. § 32.3100 (2019) – Inaccurate Depreciation Expense and Accumulated Depreciation Calculation</p> <p>The Beneficiary reported incorrect depreciation and accumulated depreciation expense amounts to USAC for HC Program purposes.</p>	(\$531,327)	\$0	\$0	(\$531,327)	\$0
<p>Finding No. 2: 47 C.F.R. § 32.12(a) (2019), 47 C.F.R. § 54.320(b) (2019) Inadequate Documentation: Expenses, and Inaccurate Cost Incurred, FCC 15-133, FCC 18-29 Improper Inclusion of Unallowable Expenses</p> <p>The Beneficiary did not provide sufficient documentation to support expense transactions, reported inaccurate costs incurred during the audit year, and included non-regulated costs in its cost study balances reported for HC Program purposes.</p>	\$8,618	\$0	\$0	\$8,618	\$8,618

² The HC Program does not pay additional support in the event of a finding resulting in an underpayment.

³ Id.

Audit Results	Monetary Effect				Recommended Recovery ²
	CAF BLS	HCL	CAF ICC	Total ³	
Finding No. 3: 47 C.F.R. § 32.2000(e)(f) (2019)– Improper Continuing Property Records. The Beneficiary did not provide Continuing Property Records (CPR) for Drop Cables recorded in Account 2421.9.	\$20,596	\$0	\$0	\$20,596	\$20,596
Total Net Monetary Effect	<u>(\$502,113)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$502,113)</u>	<u>\$29,214</u>

USAC Management Response

USAC management concurs with the audit results for SAC 240531, for the HC Program support. The Beneficiary must implement policies and procedures necessary to comply with FCC Rules. USAC recommends that the Beneficiary implement internal controls to ensure correct application of its procedures to ensure compliance with FCC Rules and Orders.

Finding	CAF BLS (A)	HCL (B)	CAF ICC (C)	USAC Recovery Action (A)+(B)+(C)	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	(\$531,327)	\$0	\$0	(\$531,327)	N/A
Finding #2	\$8,618	\$0	\$0	\$8,618	N/A
Finding #3	\$20,596	\$0	\$0	\$20,596	N/A
Total	<u>(\$502,113)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$502,113)</u>	<u>N/A</u>

As the above findings represent a net underpayment, the total recommended recovery (and thus the recommended recovery for each individual finding) is zero, as USAC policy is not to issue support in the case of a net underpayment. Thus, USAC’s recovery action is \$0.

Background and Program Overview

Background

Lancaster Telephone Company is a subsidiary of Comporium, Incorporated (previously known as “Rock Hill Telephone Company”). The Beneficiary is a cost-based Eligible Telecommunications Carrier (ETC) that provides telephone and other related services to more than 8,500 subscribers in the state of South Carolina. In addition to Part 64 regulated services, the Beneficiary and its affiliated entities provide internet, long-distance phone services, home security, video, and Voice over Internet Protocol (VOIP) phone services, which are regulated differently than local exchange services, but are specifically considered non-regulated pertaining to the Part 64 regulated/non-regulated accounting.

Program Overview

USAC is an independent not-for-profit corporation that operates under the direction of the FCC pursuant to 47 C.F.R. Part 54. USAC administers the federal Universal Service Fund (USF), which is designed to ensure that all people, regardless of location or income, have affordable access to telecommunications and information services. USAC administers the collection and disbursement of USF money through four USF programs: Lifeline, E-Rate, HC, and Rural Health Care. USAC may not make policy, interpret regulations, or advocate regarding any matter of universal service policy.

The HC Program, a component of the USF, ensures that consumers in rural areas of the country have access to telecommunications services—and pay rates for those services—that are reasonably comparable to the services provided and rates paid in urban areas. During the relevant audit period, the following support mechanisms were available to cost-based telecommunications carriers:

- **High Cost Loop (HCL) Support:** HCL is available for rural companies operating in service areas where the cost to provide service exceeds 115 percent of the national average cost per loop.
- **Rate-of-Return Incumbent Local Exchange Carrier (ILEC) Connect America Fund (CAF) Intercarrier Compensation (ICC) Support:** CAF ICC support is available to rate-of-return ILECs to assist them in offsetting intercarrier compensation revenues that they do not have the opportunity to recover through the access recovery charge (ARC) billed to the end user. The calculation of a rate-of-return carrier’s eligible recovery begins with its base period revenue. A rate-of-return carrier’s base period revenue is the sum of certain terminating intrastate switched access revenues and net reciprocal compensation revenues received by March 31, 2012, for services provided during Fiscal Year (FY) 2011, and the projected revenue requirement for interstate switched access services for the 2011-2012 tariff period. The base period revenue for rate-of-return carriers is reduced by 5 percent in each year beginning with the first year of the reform. A rate-of-return carrier’s eligible recovery is equal to the adjusted base period revenue for the year in question, less—for the relevant year of the transition—the sum of: (1) projected terminating intrastate switched access revenue, (2) projected interstate switched access revenue, and (3) projected net reciprocal compensation revenue.

- **CAF Broadband Loops Support (BLS):** CAF BLS is a reform of the Interstate Common Line Support (ICLS) that helps carriers recover the difference between loop costs associated with providing voice and/or broadband service and consumer loop revenues.

Objectives, Scope, and Procedures

Objective

The purpose of our audit was to determine whether the Beneficiary complied with the FCC Rules for the 2021 disbursement period.

Scope

The chart below summarizes the HC Program support included in the audit scope.

HC Support	Data Period	Disbursement Period	Disbursements Audited
CAF BLS	2018	2021	\$1,860,426
HCL ⁴	2018–2019	2021	0
CAF ICC	2017–2019	2021	\$669,630
Total			<u>\$2,530,056</u>

Procedures

We performed the following procedures:

A. High Cost Program Support Amount

We recalculated the support that the Beneficiary received for each High Cost component to determine whether there were no more than nominal differences between the amounts received and those recorded in the High Cost system.

B. High Cost Program Process

We obtained an understanding of the Beneficiary’s processes related to the HC Program to determine whether the Beneficiary complied with FCC Rules. We also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings based on the dates established by FCC Rules for the support mechanisms identified in the audit scope.

C. Fixed Assets

We obtained and examined the Beneficiary’s CPR work orders, invoices, and related documentation to determine whether the Beneficiary reported accurate central office switching equipment balances, as well as cable and wire facility (CWF) equipment balances. We also examined documentation and conducted a physical inventory to determine whether the Beneficiary categorized fixed assets to the proper accounts.

D. Operating Expenses

⁴ The Beneficiary did not receive HCL support for the 2021 disbursement period.

We obtained and examined monthly depreciation and plant accumulated depreciation schedules to determine whether the Beneficiary reported accurate depreciation expenses and accumulated depreciation. We obtained and examined the allocation method and summary schedules to determine whether the Beneficiary reported accurate benefit and rent expenses. We obtained and examined general ledger details for select expenses and examined invoices to support the existence of the general support, corporate operations, plant-specific, and plant non-specific expenses.

E. Revenues

We obtained and examined the general ledger, invoices, and other related documentation to determine whether the Beneficiary reported accurate common line and other revenue balances.

F. Affiliate Transactions

We obtained an understanding of the Beneficiary’s organizational structure to determine whether the Beneficiary had any affiliated entities. We also obtained and examined a listing of transactions between the Beneficiary and its affiliated entities, as well as management, service, and lease agreements related to the transactions, to determine whether the Beneficiary recorded transactions in accordance with 47 C.F.R. Section 32.27.

G. Cost Allocation

We obtained the Beneficiary’s Part 64, Part 36, and Part 69 study balances and agreed these study balances to the amounts used to calculate HC Program support. We reviewed the Beneficiary’s cost apportionment methodology to assess the reasonableness of the allocation methods and examined corresponding data inputs used to calculate the factors. We evaluated the reasonableness of the assignment between regulated, nonregulated, common costs, and the apportionment factors relative to our understanding of the regulated and nonregulated activities performed by the Beneficiary.

Detailed Audit Findings

Finding No. 1: 47 C.F.R. § 32.2000(g)(2) (2019) and 47 C.F.R § 32.3100 (2019) – Inaccurate Depreciation Expense and Accumulated Depreciation Calculation

Condition

We obtained and examined the Beneficiary’s depreciation schedule, amortization, and related expense schedules to determine whether the Beneficiary properly calculated depreciation expense and the associated accumulated depreciation for HC Program purposes.

In accordance with the FCC Rules, the Beneficiary must use average monthly asset balances based on the first and last day of each month to calculate and record depreciation expense and the accumulated depreciation accordingly. Based on our examination of the Beneficiary’s depreciation schedule, we determined that the Beneficiary did not accurately calculate the depreciation expenses and accumulated depreciation for assets. The Beneficiary did not comply

with the FCC Rules due to its usage of the vintage year straight-line depreciation methodology, in which assets purchased were added to the current vintage year layer (year of purchase).

Based on our recalculation of depreciation expense utilizing average monthly asset balances, we have summarized the differences between our calculated amounts for the audited 12 months of depreciation expenses and associated accumulated depreciation and for the amounts reported in Part 64 Cost Study as of December 31, 2019, in the table below:

Recalculation of Part 64 Balances			
Account	As Reported in Part 64 Cost Study (A)	Sikich Audited Balance (B)	Variance Overstatement/ (Understatement) (A-B)
Period of January 1, 2019, to December 31, 2019			
Accumulated Depreciation (Account 3100)	\$66,331,618	\$66,972,072	(\$640,454)
Central Office Switching Accumulated Depreciation (Account 3100-2210)	\$4,231,826	\$5,447,913	(\$1,216,087)
Central Office Transmission Accumulated Depreciation (Account 3100-2230)	\$19,175,324	\$19,922,275	(\$746,951)
Cable and Wire Facilities Accumulated Depreciation (Account 3100-2230)	\$39,877,796	\$41,601,883	(\$1,724,087)
Land & Support Assets Depreciation Expense (Account 6560-2110)	\$41,868	\$86,654	(\$44,786)
Central Office Switching Depreciation Expense (Account 6560-2210)	\$68,414	\$1,284,502	(\$1,216,088)
Central Office Transmission Depreciation Expense (Account 6560-2230)	\$718,755	\$1,465,707	(\$746,952)
Cable and Wire Facilities Depreciation Expense (Account 6560-2410)	\$1,162,876	\$2,886,963	(\$1,724,087)
Land & Support Assets Accumulated Depreciation (Account 3100-2100)	\$3,046,673	\$3,091,458	(\$44,785)

Cause

The Beneficiary misinterpreted FCC Rules regarding how depreciation expense and accumulated depreciation amounts must be calculated within its Cost Study. Specifically, the Beneficiary

informed us that it has used the vintage year depreciation methodology to calculate depreciation expense since 2004.⁵

Effect

We calculated the monetary effect to the Beneficiary’s HC Program filing by adjusting the CAF BLS algorithms to subtract the understated account balances identified in the “Recalculation of Part 64 Balances” table above for the filing periods as of December 31, 2019. We summarize the impact of this finding relative to disbursements made from HC Program for the 12-month period ending December 31, 2021, in the table below.

Support Type	Monetary Effect & Recommended Recovery
CAF BLS	(\$531,327)
HCL	-
CAF ICC	-
Total	<u>(\$531,327)</u> ⁶

Recommendation

We recommend that the Beneficiary (1) implement an adequate system to properly calculate depreciation expense and accumulated depreciation by utilizing the average of the monthly beginning and ending asset balances to properly report for HC Program purposes, (2) perform timely reviews to ensure the system is functioning properly, and (3) update its depreciation methodology to comply with the FCC Rules.

The Beneficiary may learn more about documentation and reporting requirements on USAC’s website at: <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/>.

Beneficiary Response

The company does not dispute the finding but would like to discuss their reason for taking this approach that auditors identify as a “misinterpretation” of FCC rules. Due to fact company has significant embedded and older facilities using the mass asset approach of depreciation can result in some instance of extremely quick depreciation of asset additions compared to actual useful life. As a result of this phenomenon the company has opted to depreciate using vintage straight line as over time it is the company position this represents a more accurate match of useful life and depreciation of those assets for financial reporting purposes.

As the company understands the audit report this finding results in an underpayment of approximately \$531.3K which will serve to offset the additional overpayment findings of approximately \$29.2K resulting in net due of \$0. The company understands it is USAC policy to not pay additional support in those instances where a finding results in monies due to beneficiary but rather nets those finding against any findings that may result in overpayment to beneficiary.

⁵ Per responses received from the Beneficiary on September 20, 2023.

⁶ The HC Program does not pay additional support in the event of a finding resulting in an underpayment.

Sikich Response

The Beneficiary noted that it does not dispute the finding and explained its rationale for taking the described depreciation approach.

Upon reviewing the Beneficiary's responses, we understand that the mass asset approach of depreciation can result in accelerated depreciation of assets compared to depreciation utilizing actual useful life method in some instances. However, the Beneficiary used the vintage year depreciation methodology, since 2004, to calculate depreciation expenses, rather than following the FCC rules regarding the calculation of depreciation expenses and associated accumulated depreciation. As such, our position regarding the finding and recommendations have not changed.

Finding No. 2: 47 C.F.R. § 32.12(a) (2019), 47 C.F.R. § 54.320(b) (2019) – Inadequate Documentation: Expenses, Inaccurate Cost Incurred, and FCC 15-133, FCC 18-29 – Improper Inclusion of Unallowable Expenses

Condition

We obtained and examined the Beneficiary's general ledger for the 12-month period ending on December 31, 2019, and other supporting documentation (e.g., invoices, billing reports, contracts) to determine whether the Beneficiary excluded non-regulated costs from the account balances reported for HC Program purposes. We also examined the documentation to confirm whether HC Program support was only used for the provision, maintenance, and upgrading of facilities and services for which the support is intended, in accordance with FCC Order 15-133 and further clarified by FCC Order 18-29.

We selected a non-statistical sample of 17 expense transactions⁷ totaling \$193,794 for testing in accordance with FCC rules. Out of the 17 sampled expenses, we noted exceptions⁸ for 1 CWF expense and 2 General & Admin expenses.

- **CWF (Expense Sample No. 6):** The Beneficiary recorded \$7,102 in expenses associated with nine months of services provided outside of the 2019 audited period.
- **General & Admin (Expense Sample No. 15):** The Beneficiary did not provide any documentation to support the value of the expense in the amount of \$16,340.
- **General & Admin (Expense Sample No. 14):** The Beneficiary did not provide allocation support for the percentage of membership dues allocated to the Beneficiary. Additionally, the expense sample contained expenses in the amount of \$15,084 related to political contributions which are unallowable per FCC rules.⁹

⁷ Sampling methodology is derived from the *Financial Audit Manual* (FAM), which allows for sample sizes on an entity-wide basis. This sample size is for one particular testing area of the entity and takes into consideration items such as sampling method, assessment of compliance risk, and the particular account's effect on high-cost support.

⁸ In this report, we identify an "exception" when—based on a review of the Beneficiary-provided evidence/documentation—it identifies a discrepancy or deviation from the norm resulting in audit testing. An exception results in a finding based on the materiality of the exception.

⁹ FCC 15-133, FCC 18-29.

Per the FCC Rules, the Beneficiary must maintain copies of invoices, detailed allocation schedules, and other relevant documentation to substantiate that the Beneficiary recorded its expenses in the proper amount and to the proper general ledger account.¹⁰ In addition, the Beneficiary is required to ensure that it only includes expenses that are necessary for the provision, maintenance, and upgrading of facilities and services for which the support was intended. As a result, we concluded that three sampled expenses were not recorded in the proper amount and to the proper general ledger account.

Based on our testing of the Beneficiary’s expense support, we have summarized the differences between our calculated amounts for the Cable and Wire Facilities and General & Admin expense accounts and the amounts reported in Part 64 Cost Study as of December 31, 2019, in the table below.

Recalculation of Part 64 Balances			
Account	As reported in Part 64 Cost Study (A)	Sikich Audited Balance (B)	Variance Over/(Under) Reported (A)-(B)
Cable and Wire Facilities Expense (Account 6410)	\$1,053,793	\$1,046,691	\$7,102
General & Admin. Expense (Account 6720)	\$1,517,387	\$1,485,963	\$31,424

Cause

The Beneficiary did not have an adequate system in place for (1) collecting, reporting, and monitoring data to include all accounts necessary to be adjusted for the reporting of HC Program purposes, (2) properly excluding non-regulated amounts from the amounts reported for HC Program purposes, and (3) ensuring expenses are recorded in the appropriate period. In addition, the Beneficiary informed us that the volume of requests caused some items to be inadvertently missed, leading to the failure to provide the requested supporting documentation.¹¹

Effect

We calculated the monetary effect of this finding by subtracting the overreported account balance amounts of \$7,102 and \$31,424 from the CWF expenses and General & Admin expenses balances, respectively, in the Beneficiary’s HC Program filings. We summarized the impact of this finding relative to disbursements made for HC Program purposes for the 12-month period ending December 31, 2021, in the table below.

¹⁰ 47 C.F.R. § 32.12 (a).

¹¹ Per responses received from the Beneficiary on January 29, 2024.

Support Type	Monetary Effect & Recommended Recovery
CAF BLS	\$8,618
HCL	-
CAF ICC	-
Total	<u>\$8,618</u>

Recommendation

We recommend that USAC Management seek recovery of the amounts identified in the Effect section above. We also recommend that the Beneficiary (1) implement a system that adequately ensures the Beneficiary reports accurate and allowable expenses to USAC for HC Program purposes, (2) develop and implement policies, procedures, and processes to ensure that all supporting documentation is maintained and available upon request, and (3) perform timely reviews to ensure that the system is functioning properly.

The Beneficiary may learn more about reporting requirements on USAC’s website at: <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/>.

Beneficiary Response

The company agrees with the finding of \$7,102 in Cable and Wire Expense as the invoice could have been reported as “pre-paid” and amortized over correct period but due to immateriality of amount was not treated as such.

Regarding the \$16,340 (Expense follow-up sample #14) of total \$31,424 of General and Administration Expense, the company disagrees that the full amount should be removed. It is the company’s position that rather than take the approach of disallowing 100% of legitimate expenses, had the auditors requested, we could have developed an allocation with support that could have resulted in a supportable & reasonable allocation of this cost. As an example of an alternative allocation of this expense, it could have been allocated using access lines which are verifiable and supportable, in which case, while there may still be an “adjustment” it would not be 100% of an otherwise legitimate recoverable business expense.

For the remaining expense finding of no support for \$15,084 (Expense follow-up sample #15), the company previously stated this was simple oversight by the company in providing the data for the multitude of audit requests (last count was over 120 items, many with multiple parts and individual requests embedded) and it was simple human oversight that this item was missed. The company did not recognize this was the circumstance until such time as it was provided preliminary findings, and they were informed it was no longer allowed to provide support. As a result, the company agrees with the finding as stated.

Sikich's Response

The Beneficiary partially agrees with the finding. The Beneficiary agreed with the exception for expense sample #6.

Regarding the exception in question, the amount of \$16,340 (Expense follow-up sample #14), Sikich disagrees with the Beneficiary's statement that Sikich did not request the allocation factor for expense follow-up sample #14. Specifically, Sikich issued request #72 to the Beneficiary, asking for the allocation methodology along with supporting documentation and original invoices, purchase orders, labor distribution, etc., that were used for the allocation. However, the documentation provided by the Beneficiary did not substantiate the requested allocation factors. Therefore, we deducted the full sampled amount of \$16,340.

Regarding expense sample #15 in the amount of \$15,084, the original request was due in May 15, 2023, and follow-up requests were made throughout the audit, but were not addressed. As such, we noted the sample as an exception.

As a result, our position on this finding remains unchanged.

Finding No. 3: 47 C.F.R. § 32.2000(e)(f) (2019) – Improper Continuing Property Records

Condition

We obtained and examined the Beneficiary's trial balance and general ledger for the 12-month period ending on December 31, 2019, and other supporting documentation—including the CPR—to determine whether the Beneficiary properly recorded the assets reported to USAC for HC Program purposes. Per the FCC Rules, the CPR shall be compiled on the basis of original cost (or other book cost consistent with this system of accounts).¹² Further, FCC Rules note that the CPRs shall be maintained as prescribed in § 32.2000(f)(2)(iii) in a manner that shall meet the following basic objectives: (1) provide for the verification of property record units by physical examination, (2) provide for accurate accounting for retirements, and (3) provide data for use in connection with depreciation studies.¹³

Based on these requirements, when comparing the trial balance to the CPR balance, we determined that the Beneficiary did not maintain the CPR for drop cables for the asset account 2421.9 as of December 31, 2019.

Based on our examination of the Beneficiary's CPRs, we determined that it failed to maintain proper CPRs and thus overstated the account balances it reported in its HC Program filings. We have summarized the differences between our calculated amounts for the Telephone Plant in Service, the CWF accounts, accumulated depreciation accounts, and depreciation expense account and the amounts reported in Part 64 Cost Study as of December 31, 2019, in the table below.

¹² 47 C.F.R. § 32.2000(e)(f) (2019)

¹³ *Id.*

Recalculation of Part 64 Balances			
Account	As reported in Part 64 Cost Study (A)	Sikich Audited Balance (B)	Overstatement/ (Understatement) (A)-(B)
Telephone Plant In Service (Account 2001)	\$82,050,265	\$80,718,269	\$1,331,996
CWF (Account 2410)	\$48,782,389	\$47,450,393	\$1,331,996
Accumulated Depreciation (Account 3100)	\$70,834,030	\$70,802,278	\$31,752
CWF Accumulated Depreciation (Account 3100-2410)	\$39,877,796	\$38,594,806	\$1,282,990
CWF Depreciation Expense (Account 6560-2410)	\$1,162,876	\$1,131,124	\$31,752
CWF Expense (Account 6410)	\$1,053,793	\$1,080,237	(\$26,444)

Cause

The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to properly maintain the CPR asset for Account 2421.9 for HC Program purposes.

Specifically, the Beneficiary informed us that account 2421.9 account consists of the balances of drop cables (connection from street to house), which it considers minor additions when compared to the overall cable accounts.¹⁴

Effect

We calculated the monetary effect by subtracting and adding the calculated adjustment amounts to the Beneficiary’s submitted filings. We have summarized the monetary impact of this finding relative to disbursements made from HC Program for the 12-month period ending December 31, 2021, in the table below.

Support Type	Monetary Effect & Recommended Recovery
CAF BLS	\$20,596
HCL	-
CAF ICC	-
Total	<u>\$20,596</u>

¹⁴ Per responses received from the Beneficiary on January 29, 2024.

Recommendation

We recommend that USAC Management seek recovery of the amounts identified in the Effect section above. We also recommend that the Beneficiary implement an adequate system to (1) document all categories of asset accounts to report accurate data for HC Program purposes and (2) perform timely review of the CPRs to ensure they are maintained to provide sufficient details for the verification of property record units by physical examination and accurate accounting for retirements and depreciation calculation.

The Beneficiary may learn more about reporting requirements on USAC's website at: <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-high-cost-program/>.

Beneficiary Response

The company agrees that technically we do not list drop install costs and details in the CWF CPR. However, the company would respectively request USAC and auditors take note that drops are considered minor items by much of the ILEC industry and would not be shown on CPRs in many instances. The fact that the company takes the extra step of segregating costs in separate accounts when they could just as easily include those costs as overheads in the other cable accounts which include the appropriate CPR details, it seems unreasonable to disallow what otherwise would be an includable cost. As a result, we do question and disagree with the finding and impact of removing 100% of cost. There can be no dispute that the drops exist, and they had some cost and therefore we question the reasonableness of the auditors' approach to disallow total cost.

Sikich Response

The Beneficiary partially agreed with the finding. Specifically, the Beneficiary acknowledged that it does list the drop install costs and details specific to the CWF CPR. However, it disagreed with the disallowance of the cost with the audit approach taken. Although the Beneficiary stated that the drops exist, the Beneficiary did not suggest any basis for determining the proper accounting nor did the Beneficiary provide alternative information to accurately calculate the costs for the CWF CPR when the Beneficiary was notified that they did not have the correct records. We understand that the drops are considered minor items individually. However, the total recorded drops amount to \$1,331,996, which is significant when aggregated. Additionally, we did not see the Beneficiary include the drops as overhead in the other CWF asset accounts. As the CWF CPR lacked information required by the FCC rule C.F.R. § 32.2000(e)(f) for account 2421.9, we were unable to verify property record units by physical examination, ensure accurate accounting for retirements, and conduct associated depreciation studies. As a result, our position regarding our findings and recommendations remains unchanged.

Criteria

Finding	Criteria	Description
1	47 C.F.R. § 32.2000(g)(2) (2019)	<p><i>(g) Depreciation accounting</i></p> <p><i>(2) Depreciation charges.</i></p> <p><i>(i) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges.</i></p> <p><i>(ii) Companies, upon receiving prior approval from this Commission, or, upon prescription by this Commission, shall apply such depreciation rate, except where provisions of paragraph (g)(2)(iv) of this section apply, as will ratably distribute on a straight line basis the difference between the net book cost of a class or subclass of plant and its estimated net salvage during the known or estimated remaining service life of the plant.</i></p> <p><i>(iii) Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month.</i></p> <p><i>(iv) In certain circumstances and upon prior approval of this Commission, monthly charges may be determined in total or in part through the use of other methods whereby selected plant balances or portions thereof are ratably distributed over periods prescribed by this Commission. Such circumstances could include but not be limited to factors such as the existence of reserve deficiencies or surpluses, types of plant that will be completely retired in the near future, and changes in the accounting for plant. Where alternative methods have been used in accordance with this subparagraph, such amounts shall be applied separately or in combination with rates determined in accordance with paragraph (g)(2)(ii) of this section.</i></p>
1	47 C.F.R. § 32.3100 (2019)	<p><i>Accumulated depreciation.</i></p> <p><i>(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service.</i></p> <p><i>(b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense - telecommunications plant in service. (Note also Account 3300, Accumulated depreciation - nonoperating.)</i></p>

Finding	Criteria	Description
		<p><i>(c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered.</i></p> <p><i>(d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.</i></p>
2	47 C.F.R. § 32.12(a) (2019)	<p><i>Records.</i></p> <p><i>(a) The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.</i></p>
2	47 C.F.R. § 54.320(b) (2019)	<p><i>Compliance and recordkeeping for the high-cost program.</i></p> <p><i>(b) All eligible telecommunications carriers shall retain all records required to demonstrate to auditors that the support received was consistent with the universal service high-cost program rules. This documentation must be maintained for at least ten years from the receipt of funding. All such documents shall be made available upon request to the Commission and any of its Bureaus or Offices, the Administrator, and their respective auditors.</i></p>
2	FCC 15-133	<p><i>The Commission reminds all eligible telecommunications carriers (ETCs) that receive support from the Universal Service Fund's high-cost mechanisms (whether legacy high-cost program support or Connect America Fund support) of their obligations to use such support only for its intended purposes of maintaining and extending communications service to rural, high-cost areas of the nation.</i></p>
2	FCC 18-29: Connect America Fund, et al., WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, 33 FCC Rcd 2990, 2994, para. 10 (2018).	<p><i>19. Personal Expenses.—Initially, we codify the existing prohibition on recovery from the high-cost program HC Program for personal expenses of employees, board members, family members of employees and board members, contractors, or any other individuals affiliated with the ETC, including but not limited to personal expenses for personal travel, personal vehicles, housing, such as rent, mortgages, or housing allowances, childcare, employee gifts, and entertainment-related expenses including food and beverage, regardless of whether such expenses are paid directly by the individual or indirectly by the carrier in the form of allowances or gifts. Personal expenses are clearly not used for the provision of supported services and thus may not be recovered through high-cost support. Furthermore, we caution recipients of high-cost support that recovering these types of expenses from high-cost</i></p>

Finding	Criteria	Description
		<p><i>support may constitute outright fraud, waste, and abuse on the Fund, subjecting employees, executives, and board members to personal civil and criminal liability.</i></p> <p><i>20. The Commission already explicitly excludes personal travel expenses from high-cost support recovery.⁵⁰ Personal travel expenses include airfare, car rentals, gas, lodging, and meals for personal use. Commenters overwhelmingly agree that personal travel is unrelated to the provision of a supported service and may not be recovered through high-cost support. In response to concerns raised by commenters, we find that, in contrast to personal travel expenses, reasonable work-related travel expenses are recoverable to the extent they are used for the provision, maintenance, and upgrading of facilities and services for which high-cost support is intended. For example, if an ETC’s technician travels to repair a supported facility and such travel requires overnight accommodation, the ETC may recover that employee’s reasonable hotel costs.</i></p> <p><i>25. It is undisputed that gifts to employees may not be recovered through high-cost support. Gifts to employees are unrelated to the provision, maintenance, and upgrading of facilities and services for which high-cost support is intended, and therefore are excluded from high-cost support.</i></p> <p><i>26. Entertainment and food and beverage expenses, including but not limited to expenses incurred for meals to celebrate personal events, such as weddings, births, or retirements, are explicitly not recoverable through high-cost support.⁶⁶ Some commenters agree that entertainment expenses in particular have not been recoverable in the past. Other commenters disagree, claiming that recovering entertainment expenses incurred for “client or vendor meetings, or attendance at board meetings” is a “common and accepted practice.” Some commenters maintain that they should be able to include food and beverage and entertainment expenses related to annual meetings, employee recognition, parties or picnics because such events build morale and improve service quality. The question is whether these expenses are used only for the provision, maintenance, and upgrading of facilities and services for which high-cost support is intended—not whether they are beneficial, desirable or common practice. Because these expenses do not meet our interpretation of what the statutory standard requires, we exclude them from high-cost support. As noted above, we acknowledge that meals provided during business-related travel may qualify as a reasonable per diem travel expense recoverable from high-cost support consistent with our interpretation of section 254(e).</i></p>

Finding	Criteria	Description
		<p>28. <i>Expenses Unrelated To Operations.</i>—We next codify the existing prohibitions on recovering support for expenses unrelated to operations—including political contributions, charitable donations, scholarships, membership fees and dues in clubs and organizations, sponsorships of conferences or community events, and penalties or fines for statutory or regulatory violations, penalties or fees for late payments on debt, loans, or other payments—from high-cost support.⁷⁶ ETCs calculate high-cost universal support, including high-cost loop support (HCLS) and Connect America Fund Broadband Loop Support (CAF BLS) (formerly interstate common line support (ICLS)), based on their eligible capital investment and operating expenses pursuant to section 54.303. Expenses unrelated to operations, however, are not currently included in these high-cost support calculations.⁷⁸ Instead, under our current rules, “nonoperating expenses”—including political contributions, contributions for charitable, social, or community welfare purposes, membership fees and dues in social, service and recreational or athletic clubs and organizations, and penalties and fines on account of violations of statutes—are recorded in Account 7300, presumed excluded from the costs of service in setting rates, and not included in high-cost support calculations. Expenses unrelated to operations have historically not been recoverable from high-cost support because by definition these expenses are not operational in nature and are ancillary to core business objectives. Expenses must fall within the scope of the statutory requirement that support be used “only for the provision, maintenance, and upgrading of facilities and services for which support is intended.” Below we find that various expenses unrelated to operations, including various Account 7300 nonoperating expenses, do not satisfy this standard and, thus, may not be recovered from high-cost support.</p> <p>31. <i>Charitable donations and scholarships are expenses unrelated to operations that may not be recovered from high-cost support. We recognize the benefits charitable donations provide to the community, as raised by multiple commenters. However, charitable donations are unrelated to the provision, maintenance, and upgrading of facilities and services for which the high-cost support is intended.</i></p> <p>32. <i>Membership fees and dues in clubs and organizations, including social, service, and recreational or athletic clubs and organizations, as well as trade associations and organizations that</i></p>

Finding	Criteria	Description
		<p><i>provide professional or trade certifications such as state bar associations, are expenses unrelated to operations excluded from high-cost support. Commenters agree that these expenses related to social and recreational clubs and organizations are already excluded from high-cost support recovery. But those same and other commenters also argue that membership fees and dues in trade associations, chambers of commerce, state bar associations and professional certifications for specialized employees should be recoverable. We recognize the educational and training benefits that trade associations provide and that membership in chambers of commerce may help stimulate business. However, as other commenters acknowledge, a function of many of these organizations is advocacy on behalf of their members for the purpose of influencing public policy which is not used for the provision, maintenance, and upgrading of facilities and services for which support is intended. Just as ETCs may not recover lobbying expenses under our rules, similarly, they may not recover membership fees in organizations that engage in lobbying. Further, professional affiliations or certifications such as state bar associations, accounting associations, or other professional groups may facilitate general corporate functions but are not used only for the provision of supported facilities and services.</i></p>
3	47 C.F.R. § 32.2000(e)(f) (2019)	<p><i>(e) Basic property records.</i></p> <p><i>(1) The basic property records are that portion of the total property accounting system which preserves the following detailed information:</i></p> <ul style="list-style-type: none"> <i>(i) The identity, vintage, location and original cost of units of property;</i> <i>(ii) Original and ongoing transactional data (plant account activity) in terms of such units; and</i> <i>(iii) Any other specific financial and cost accounting information not properly warranting separate disclosure as an account or subaccount but which is needed to support regulatory, cost, tax, management and other specific accounting information needs and requirements.</i> <p><i>(2) The basic property records must be:</i></p> <ul style="list-style-type: none"> <i>(i) Subject to internal accounting controls,</i> <i>(ii) auditable,</i> <i>(iii) equal in the aggregate to the total investment reflected in the financial property control accounts as well as the total of the cost allocations supporting the determination of cost-of-service at any particular point in time, and</i> <i>(iv) maintained throughout the life of the property.</i> <p><i>(3) The basic property records shall consist of</i></p> <ul style="list-style-type: none"> <i>(i) continuing property records and</i> <i>(ii) records supplemental thereto which together reveal clearly, by accounting area, the detailed and</i>

Finding	Criteria	Description
		<p><i>systematically summarized information necessary to meet fully the requirements of <u>paragraphs (e)(1) and (e)(2)</u> of this section.</i></p> <p><i>(4) Companies shall establish and maintain basic property records for each class of property recorded in the several plant accounts which comprise the balance sheet Account 2001, Telecommunications Plant In Service, Account 2002, Property Held for Future Telecommunications Use, and Account 2006, Nonoperating Plant.</i></p> <p><i>(5) The company shall notify the Commission of a plan for the basic property record as follows:</i></p> <p><i>(i) Not later than June 30 of the year following that in which it becomes subject to this system of accounts, the company shall file with the Commission two (2) copies of a complete plan of the method to be used in the compilation of a basic property record with respect to each class of property. The plan shall include a list of proposed accounting areas accompanied by description of the boundaries of each area as defined in accordance with the requirements of <u>§ 32.2000(f)(1) (i) and (ii) of this subpart</u>. The plan shall also include a list of property record units proposed for use under each regulated plant account. These property record units shall be selected such that the requirements of <u>§ 32.2000(f)(2) (i), (ii) and (iii) of this subpart</u> can be satisfied.</i></p> <p><i>(ii) The company shall submit to the Commission one copy of any major proposed changes in its basic property record plan at least 30 days before the effective date of the proposed changes.</i></p> <p><i>(6) The company shall prepare and maintain the basic property record as follows:</i></p> <p><i>(i) Not later than June 30 of the year following that in which the company becomes subject to this system of accounts, begin the preparation of a basic property record.</i></p> <p><i>(ii) Complete within two years of the prescribed beginning date, basic property records for all property as of the end of the preceding calendar year.</i></p> <p><i>(iii) Promptly process in the basic property records all property changes affecting periods subsequent to initial establishment of the basic property record.</i></p> <p><i>(7) The basic property record components (see <u>paragraph (c)</u> of this section) shall be arranged in conformity with the regulated plant accounts prescribed in this section of accounts as follows:</i></p> <p><i>(i) The continuing property records shall be compiled on the basis of original cost (or other book cost consistent with this system of accounts). The continuing property records shall be maintained as prescribed in <u>§</u></i></p>

Finding	Criteria	Description
		<p><i>32.2000(f)(2)(iii) of this subpart in such manner as will meet the following basic objectives:</i></p> <ul style="list-style-type: none"> <i>(A) Provide for the verification of property record units by physical examination.</i> <i>(B) Provide for accurate accounting for retirements.</i> <i>(C) Provide data for use in connection with depreciation studies.</i> <p><i>(ii) The records supplemental to the continuing property records shall disclose such service designations, usage measurement criteria, apportionment factors, or other data as may be prescribed by the Commission in this part or other parts of its Rules and Regulations. Such data are subject to the same general controls and standards for auditability and support as are all other elements of the basic property records.</i></p> <p><i>(8) Notwithstanding any other provision of this part concerning continuing property records, carriers subject to price cap regulations set forth in <u>part 61 of this chapter</u> shall maintain property records necessary to track substantial assets and investments in an accurate, auditable manner that enables them to verify their accounting books, make such property information available to the Commission upon request, and ensure the maintenance of such data.</i></p> <p><i>(f) Standard practices for establishing and maintaining continuing property records —</i></p> <ul style="list-style-type: none"> <i>(1) Accounting area.</i> <ul style="list-style-type: none"> <i>(i) The continuing property record, as related to each primary plant account, shall be established and maintained by subaccounts for each accounting area. An accounting area is the smallest territory of the company for which accounting records of investment are maintained for all plant accounts within the area. Areas already established for administrative, accounting, valuation, or other purposes may be adopted for this purpose when appropriate. In no case shall the boundaries of accounting areas cross either State lines or boundaries prescribed by the Commission.</i> <i>(ii) In determining the limit of each area, consideration shall be given to the quantities of property, construction conditions, operating districts, county and township lines, taxing district boundaries, city limits, and other political or geographical limits, in order that the area adopted may have maximum adaptability, within the confines of practicability, for both the company’s purpose and those of Federal, State, and municipal authorities.</i> <i>(2) Property record units.</i> <ul style="list-style-type: none"> <i>(i) In each of the established accounting areas, the “property record units” which are to be maintained in the</i>

Finding	Criteria	Description
		<p><i>continuing property record shall be set forth separately, classified by size and type with the amount of original cost (or other appropriate book cost) associated with such units. When a list of property record units has been accepted by the Commission, they shall become the units referred to in this statement of standard practices. Such units shall apply to only the regulated portion of this system of accounts.</i></p> <p><i>(ii) When it is found necessary to revise this list because of the addition of units used in providing new types of service, or new units resulting from improvements in technology, or because of the grouping or elimination of units which no longer merit separate recognition as property record units, one copy of such changes shall be submitted to the Commission. Upon appropriate showing by the company, the Commission may specifically exempt the company from these filing requirements.</i></p> <p><i>(iii) The continuing property record shall reveal the description, location, date of placement, the essential details of construction, and the original cost (note also <u>paragraph (f)(3)</u> of this section) of the property record units. The continuing property records shall be compiled on the basis of original cost (or other book cost consistent with this system of accounts) and maintained in such manner as will provide for the verification of property record units by physical examination. The continuing property record and other underlying records of construction costs shall be so maintained that, upon retirement of one or more retirement units or of minor items without replacement when not included in the costs of retirement units, the actual cost or a reasonably accurate estimate of the cost of the plant retired can be determined.</i></p> <p><i>(3) Methods of determining original cost of property record units. The original cost of the property record units shall be determined by analyses of the construction costs incurred as shown by completion reports and other data, accumulated in the respective construction work orders or authorizations. Costs shall be allocated to and associated with the property record units to facilitate accounting for retirements. The original cost of property record units shall be determined by unit identification or averaging as described in <u>paragraphs (f)(3) (i) and (ii)</u> of this section.</i></p> <p><i>(i) Unit identification. Cost shall be identified and maintained by specific location for property record units contained within certain regulated plant accounts or account groupings such as Land, Buildings, Central Office Assets, Motor Vehicles, garage work equipment included in Account 2114, Tools and other work</i></p>

Finding	Criteria	Description
		<p><i>equipment, and Furniture. In addition, units involved in any unusual or special type of construction shall be recorded by their specific location costs (note also § 32.2000(f)(3)(ii)(B)).</i></p> <p><i>(ii) Averaging.</i></p> <p><i>(A) Average costs may be developed for plant consisting of a large number of similar units such as terminal equipment, poles, wire, cable, cable terminals, conduit, furniture, and work equipment. Units of similar size and type within each specified accounting area and regulated plant account may be grouped. Each such average cost shall be set forth in the continuing property record of the units with which it is associated.</i></p> <p><i>(B) The averaging of costs permitted under the provisions of the foregoing paragraph is restricted to plant installed in a particular vintage or band of years incurred within an accounting area. This paragraph does not permit the inclusion of the cost of units involved in any unusual or special type of construction. The units involved in such unusual or special type of construction shall be recorded at cost by location.</i></p> <p><i>(4) Estimates. In cases where the actual original cost of property cannot be ascertained, such as pricing an inventory for the initial entry of a continuing property record or the pricing of an acquisition for which a continuing property record has not been maintained, the original cost may be estimated. Any estimated original cost shall be consistent with the accounting practices in effect at the time the property was constructed.</i></p> <p><i>(5) Identification of property record units. There shall be shown in the continuing property record or in record supplements thereof, a complete description of the property records units in such detail as to identify such units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per § 32.2000(f)(4) of this subpart, specific location of the property within each accounting area in such manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings.</i></p> <p><i>(6) Reinstalled units. When units to which average costs are not applied, i.e., specific and fixed location units, are removed or retired and subsequently reinstalled, the date when the unit was first charged to the appropriate plant account shall, when required for adequate service life</i></p>

Finding	Criteria	Description
		<p><i>studies and reasonably accurate retirement accounting, be shown in addition to the date of reinstallation.</i></p> <p><i>(7) Age and service life of property. The continuing property record shall disclose the age of existing property and the supporting records shall disclose the service life of property retired. Exceptions from this requirement for any property record unit shall be submitted to the Commission for approval.</i></p> <p><i>(8) Reference to sources of information. There shall be shown by appropriate reference the source of all entries. All drawings, computations, and other detailed records which support quantities and costs or estimated costs shall be retained as a part of or in support of the continuing property record.</i></p>

Sikich CPA LLC

Attachment C

HC2024LR009



Lismore Cooperative Telephone Company

Audit ID: HC2024LR009

Universal Service Administrative Company – High Cost Program

*Limited Review Performance Audit on Compliance with the Federal Universal Service
Fund High Cost Support Mechanism Rules*

Prepared for: Universal Service Administrative Company (“USAC”)

As of Date: October 24, 2024

KPMG LLP
8350 Broad Street #900
McLean, VA 22102

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KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

October 24, 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 limited review performance audit objectives relative to Lismore Cooperative Telephone Company (“Lismore” or “Beneficiary”) Study Area Code (“SAC”) No. 361419 for disbursements made from the Universal Service High Cost Program during the twelve-month period ended December 31, 2022. Our work was performed from February 9, 2024 to October 24, 2024.

We conducted this limited review 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 objective.

In addition to GAGAS, we conducted this limited review 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 limited review performance audit was to evaluate the Beneficiary’s compliance with select Federal Communications Commission’s (“FCC”) rules and regulations and orders related to the High Cost Program, including those set forth in 47 C.F.R. (“Code of Federal Regulations”) Parts 32, 36, 51, 54, 64 and 69, (collectively “FCC Rules”) relative to disbursements, of \$72,234, made from the High Cost Program during the twelve-month period ended December 31, 2022.

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

As our report further describes, KPMG did not identify any findings as a result of the work performed.

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



In addition, we also noted one Other Matter that is not significant within the context of the audit objective and does not necessarily constitute a rule violation but warrants the Beneficiary and USAC management's attention. We reported this other matter to the Beneficiary's management in a separate letter dated October 24, 2024.

This report is intended solely for the use of the USAC, the Beneficiary, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC and the FCC.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

AUDIT RESULTS AND RECOVERY ACTION

KPMG'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 direction of the FCC pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund (“USF”), which includes four support mechanisms: High Cost, Lifeline, Rural Health Care, and E-Rate. With these four support mechanisms, USAC is dedicated to achieving universal service. This important principle suggests that all Americans deserve accessible, affordable and pervasive telephone and internet services.

The High Cost support mechanism ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas, regardless of location or economic strata. Thus, the High Cost Program provides support for telecommunications companies (Beneficiaries) that offer services to consumers in less-populated areas. Several legacy High Cost Program support mechanisms are noted below:

1. High Cost Loop (“HCL”): HCL support is available for rural companies operating in service areas where the cost to provide service exceeds 115% of the national average cost per line. HCL support includes the following sub-component:
 - a. Safety Valve Support (“SVS”): SVS support is available to rural carriers that acquire high cost exchanges and make substantial post-transaction investments to enhance network infrastructure.
2. Connect America Fund Intercarrier Compensation (“CAF ICC”): CAF ICC support is available to Incumbent Local Exchange Carriers (“ILEC”) to recover revenue that is not covered by the Access Recovery Charge (“ARC”) to the end user.
3. Connect America Fund Broadband Loop Support (“CAF BLS”): CAF BLS provides support for voice and broadband service, including stand-alone broadband. CAF BLS provides support for rate-of-return carriers to the extent that Subscriber Line Charge (“SLC”) caps do not permit them to recover their common line revenue requirements.

Beneficiary Overview

Lismore Cooperative Telephone Company (SAC No. 361419), located in Minnesota, serves over 300 customers. Lismore provides wireless, broadband, satellite internet, and local telephone and internet services to the greater Lismore area.

The Beneficiary is a small company with 10 employees and is led by 9 board members. It started in 1907 and has evolved with technology to incorporate fiber optic lines, as well as provide cellular services.

The following chart summarizes the High Cost program support disbursed by USAC to the Beneficiary during the twelve-month period ended December 31, 2022 by High Cost fund type:

High Cost Support	Disbursement Amount
CAF ICC	\$72,234
Total	\$72,234

Source: USAC

The Beneficiary received high Cost support during the twelve-month period ended December 31, 2022, based on the following annual financial and operational data submitted by the Beneficiary to the National Exchange Carrier Associations (“NECA”) and USAC:

- 2021 CAF ICC Form, based on program year 2020 data

OBJECTIVE

The audit objective of this limited review performance audit was to evaluate the Beneficiary’s compliance with select FCC rules and regulations and orders related to the High Cost Program, including those set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64 and 69 of the FCC’s Rules, as well as specified FCC Orders governing federal Universal Service Support for the High Cost Program relative to disbursements of \$72,234 made from the High Cost Program during the twelve-month period ended December 31, 2022.

SCOPE

The scope of our work relates to the High Cost Program forms or other correspondence filed by the Beneficiary for the disbursements made from the High Cost Program during the twelve-month period ended December 31, 2022, as well as performing other procedures we considered necessary to form a conclusion relative to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2022 related to SAC noted in the Beneficiary overview section above.¹

Our performance audit as defined by the FCC for High Cost limited review performance audits includes the following areas:²

1. High Cost Program Eligibility filings
2. Revenues, Subscriber Listings and Billing Records

PROCEDURES

KPMG performed the following procedures to address the limited review performance audit objective:

- 1. High Cost Program Eligibility filings**

For the relevant High Cost Program form (CAF ICC), completeness of reported accounts was assessed via reconciliations to the General Ledger (“G/L”). Irreconcilable items were discussed with the Beneficiary and support obtained to resolve differences.

- 2. Revenues, Subscriber Listings and Billing Records**

KPMG examined revenue G/L accounts, invoices and other related documentation to verify the accuracy and existence of revenue account balances. KPMG analyzed subscriber listings and billing records to assess that the number and type of lines reported in the High Cost Program filings agreed to underlying support documentation, that subscriber listings did not include duplicate lines, invalid data, or non-revenue producing or non-working loops, and that lines were properly classified as residential/single-line business or multi-line business.

¹ Although the Beneficiary received CAF BLS funds, the deployment obligation for carriers receiving CAF BLS is 2024. Therefore, the audit scope does not include any procedures related to modernized funds.

² If exceptions (instances of material noncompliance with the FCC Rules) were noted in areas other than the in-scope areas as a result of our testing procedures and the execution of our performance audit, we identified those findings in the ‘Results’ section of the report.

Results

KPMG's performance audit procedures identified no audit findings.

CONCLUSION

KPMG's evaluation of the Beneficiary's compliance with select FCC rules and regulations and orders related to the High Cost Program, including those set forth in 47 C.F.R. § 32, 36, 51, 54, 64 and 69, relative to disbursements made from the High Cost Program during the twelve-month period ended December 31, 2022, identified no findings.

**** This concludes the audit report.****

Attachment D

HC2024LR0211

DeKalb Telephone Cooperative, Inc.

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund High Cost Support Mechanism Rules

USAC Audit No. HC2024LR021



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EXECUTIVE SUMMARY

September 25, 2024

Joe Mitchell, Controller
DeKalb Telephone Cooperative, Inc.
111 High Street
PO Box 247
Alexandria, TN 37012-0247

Dear Mr. Mitchell:

The Universal Service Administrative Company (USAC) Audit and Assurance Division (AAD) audited the compliance of DeKalb Telephone Cooperative, d/b/a DTC Communications, Inc. (DTC or DeKalb), study area code 290562, disbursements for the year ended December 31, 2023, using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 51 and 54, as well as other program requirements (collectively, Federal Communication Commission (FCC) Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with FCC Rules based on limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

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

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

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

Sincerely,



Jeanette Santana-Gonzalez
USAC Senior Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Vic Gaither, USAC Vice President, High Cost Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

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

SCOPE

In the following chart, AAD summarizes the High Cost Program support that was included in the scope of this audit:

High Cost Support	Data Period	Disbursement Period	Disbursements Audited
Connect America Fund (CAF) Inter-carrier Compensation (ICC)	2023	2023	\$404,688
Total			\$404,688

BACKGROUND

The Beneficiary is a cost-based eligible telecommunications carrier (ETC) that operates in Tennessee.

PROCEDURES

AAD performed the following procedures:

A. High Cost Program Support Amount

AAD recalculated the support that the Beneficiary received for each High Cost component and determined that there were no more than nominal differences between the amounts received and those recorded in the High Cost system.

B. High Cost Program Process

AAD obtained an understanding of the Beneficiary's processes related to the High Cost Program to determine whether the Beneficiary complied with FCC Rules. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings consistent with based on the dates established by FCC Rules

C. Line Count Records

AAD obtained and examined the Beneficiary's subscriber listings and billing records. AAD used computer-assisted auditing techniques to analyze the data files and to determine the number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary's High Cost data filings.

D. Revenues

AAD obtained and examined the general ledger, invoices, and other related documentation to determine whether the Beneficiary reported accurate common line and other revenue balances.

****This concludes the report.****

Summary of the Low Income Support Mechanism Beneficiary Audit Reports Released: October 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment A GCI Holdings LLC	1	<ul style="list-style-type: none"> No significant findings. 	\$8,062,591	\$2,751	\$2,751	N
Attachment B TerraCom/YourTel America	4	<ul style="list-style-type: none"> No significant findings. 	\$6,590,513	\$69,314	\$69,314	Partial
Attachment C Cox Communications Inc.	1	<ul style="list-style-type: none"> No significant findings. 	\$1,890,853	\$1,419	\$1,419	N
Total	6		\$16,543,957	\$73,484	\$73,484	

Attachment A

LI2021LR011

Available For Public Use



GCI Holdings LLC

Limited Review Audit on Compliance with the Federal Universal Service
Fund Lifeline Support Mechanism Rules
USAC Audit No. LI2021LR011

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EXECUTIVE SUMMARY

October 2, 2024

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12st Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of GCI Holdings LLC (Holding Company), for all study area codes (SACs) where the Holding Company claimed subscribers during calendar year 2019 (the audit period), using select Federal Communications Commission (FCC) rules and regulations related to the Lifeline Program, including those set forth in C.F.R. Title 47, Part 54 (collectively, FCC Rules). Compliance with the FCC Rules is the responsibility of the Holding Company’s management. DPG’s responsibility is to make a determination regarding the Holding Company’s compliance with the FCC Rules based on our limited scope audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG’s findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed one detailed audit finding (Finding) discussed in the Detailed Audit Finding section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

Sincerely,

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O’Brien, USAC Vice President, Lifeline Division

AUDIT RESULT AND RECOVERY ACTION

Audit Results	Monetary Effect and Recommended Recovery
Finding #1: 47 C.F.R. §54.405(e)(1) (2018) – Support Claimed for Subscribers the Holding Company had a Reasonable Basis to De-enroll. The Holding Company claimed Lifeline support for subscribers whose monthly fee was not collected for 60 days and for whom it had a reasonable basis to de-enroll.	\$2,751
Total	\$2,751

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC Management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE, AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Holding Company complied with the FCC Rules (Rules).

SCOPE

The Holding Company claimed 31,641 subscribers and \$8,062,591 in support for data months January 2019 through December 2019, the period covered by our audit. The following chart details the subscriber claims and support received amounts by Study Area Code (SAC).

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
613023	AK	Tribal Lifeline	457	\$150,465
613025	AK	Tribal Lifeline	3	\$1,017
619001	AK	Non-Tribal Lifeline	2	\$19
619001	AK	Tribal Lifeline	727	\$126,192
619014	AK	Non-Tribal Lifeline	28	\$414
619014	AK	Tribal Lifeline	30,424	\$7,784,484
Total			31,641	\$8,062,591

Notes:

The amount of support listed above reflects disbursements as of the commencement of the audit.

BACKGROUND

The Holding Company operates as a competitive eligible telecommunications carrier (ETC) in all of the states identified in the Scope table above.

PROCEDURES

DPG performed the following procedures:

A. Lifeline Claim System

DPG obtained and examined the Holding Company's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Holding Company's data files. DPG used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Holding Company's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained transferred subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

B. Program Eligibility, Certification and Recertification Process

DPG obtained an understanding of the Holding Company's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Holding Company complied with Program Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier results for 364 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households

DPG obtained an understanding of the Holding Company's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Holding Company to comply with the Independent Economic Household (IEH) requirements. DPG obtained and tested documentation or National Verifier results for 156 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 364 subscribers.

E. Form 555

DPG obtained and examined the Holding Company's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Holding Company's data files.

F. Minimum Service Standard

DPG obtained an understanding of the minimum services offered by the Holding Company. DPG examined the Holding Company's evidence of the level of service provided for 364 subscribers to determine whether

the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

G. Reseller-based Telecommunication Providers

DPG obtained an understanding of the Holding Company's leased phone lines relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation to determine whether the Holding Company properly claimed Lifeline Program subscribers that used the leased phone lines.

H. Enrollment Representative Accountability

DPG obtained an understanding of the Holding Company's enrollment representative process relating to the Lifeline Program and whether enrollment representatives were compensated on a commission basis.

DETAILED AUDIT FINDING

Finding #1: 47 C.F.R. § 54.405(e)(1) (2018) – Support Claimed for Subscribers the Holding Company had a Reasonable Basis to De-enroll

CONDITION

DPG obtained and examined pass-through documentation¹ for the 12 subscribers who were identified as potentially deceased and were claimed for support after the indicated date of death but during the audit period. DPG identified two subscribers for whom a \$1 monthly assessment fee had not been collected in more than 60 days² and whose accounts were not disconnected. Both subscribers were claimed for seven months from date of death before they were de-enrolled, yet their accounts remained delinquent.^{3 4}

As a result of this observation, DPG expanded pass-through testing procedures for a statistically based sample of 364 subscribers to include a review of the billing and payment history for each subscriber. The expanded testing identified an additional 10 subscribers whose accounts went more than 60 days delinquent and for whom the Holding Company had a reasonable basis to de-enroll. In total, DPG identified 12 subscribers who were claimed between 3 and 13 months where no payment was made on their account.

CAUSE

The Holding Company did not follow its policy to disconnect service for subscribers where collections were 60 days delinquent. The Holding Company stated that during 2019, deviations from the treatment schedules resulted from a change in billing systems.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
619001	Tribal Lifeline	\$148
619014	Tribal Lifeline	\$2,603
Total:		\$2,751

DPG calculated the 2019 monetary effect by first determining the number of instances (data months) in 2019 the Holding Company claimed the 12 subscribers after a reasonable basis (60 days of delinquency) was established for their de-enrollment. DPG identified a total of 83 such instances. DPG multiplied the instances by the support amount requested in the 2019 LCS submissions and rounded to the nearest whole dollar.

¹ The Holding Company indicated that it assesses and collects a monthly fee of \$1 from its wireless subscribers and that therefore, it was not required to track usage in accordance with the FCC Rules noted at 47 C.F.R § 54.407(c) (2018).

² The Holding Company policy regarding the treatment schedules for delinquent accounts states that the first date the subscriber enters collections is the day following the invoice due date. It also states that Lifeline subscribers' accounts are suspended at 30 days and all accounts are disconnected at 60 days.

³ See 47 C.F.R. § 54.405(e)(1) (2018); see also 47 C.F.R. § 54.404(b)(8) (2018).

⁴ See 47 C.F.R. § 54.404(b)(8) (2018).

Support Type	Instances	Rate	Monetary Effect
Tribal Lifeline	76	\$34.25	\$2,603
Tribal Lifeline	7	\$21.18	\$148
Total:			\$2,751

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount recommended in the Effect section above. DPG also recommends that the Holding Company establish procedures to ensure that it complies with its internal policy of disconnecting service for Lifeline subscribers whose accounts are more than 60 days delinquent and for whom it has a reasonable basis to de-enroll.

HOLDING COMPANY RESPONSE

GCI acknowledges the finding. In 2019, GCI was refining its reporting processes after undergoing a billing system conversion. This caused a deviation from GCI's policy regarding discontinuation of services for non-payment and GCI acknowledges that during the transition some subscribers were missed by our checks for overdue accounts. For the original two deceased subscribers we became aware of the account delinquencies in October 2019 and removed these subscribers from support claims for September and October 2019.

We have since implemented more rigorous checks for delinquency and death, including a monthly comparison of social security's death file to our subscriber list as well as adding practices that remove subscribers from NLAD back to the date of death rather than to the date of notification of death.

CRITERIA

47 C.F.R. § 54.405(e)(1) (2018)

De-enrollment generally. If an eligible telecommunications carrier has a reasonable basis to believe that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under § 54.409, the carrier must notify the subscriber of impending termination of his or her Lifeline service.

47 C.F.R. § 54.407(c) (2018)

An eligible telecommunications carrier offering a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers:

- (1) Shall not receive universal service support for a subscriber to such Lifeline service until the subscriber activates the service by whatever means specified by the carrier, such as completing an outbound call; and
- (2) After service activation, an eligible telecommunications carrier shall only continue to receive universal service support reimbursement for such Lifeline service provided to subscribers who have used the service within the last 30 days, or who have cured their non-usage as provided for in § 54.405(e)(3). Any of these activities, if undertaken by the subscriber, will establish "usage" of the Lifeline service:
 - (i) Completion of an outbound call or usage of data;
 - (ii) Purchase of minutes or data from the eligible telecommunications carrier to add to the subscriber's service plan;
 - (iii) Answering an incoming call from a party other than the eligible telecommunications carrier or the eligible telecommunications carrier's agent or representative;
 - (iv) Responding to direct contact from the eligible communications carrier and confirming that he or she wants to continue receiving Lifeline service; or

(v) Sending a text message.

47 C.F.R. § 54.404 (b)(8) (2018):

The National Lifeline Accountability Database. In order to receive Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements:

(8) All eligible telecommunications carriers must update an existing Lifeline subscriber's information in the Database within ten business days of receiving any change to that information, except as described in paragraph (b)(10) of this section.

****This concludes the report.****

Attachment B

LI2021LR011



TerraCom/YourTel America

Limited Review Audit on Compliance with the Federal Universal Service
Fund Lifeline Support Mechanism Rules
USAC Audit No. LI2021LR012

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EXECUTIVE SUMMARY

October 2, 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:

DP George & Company, LLC (DPG) audited the compliance of TerraCom/YourTel America (Holding Company), for all study area codes (SACs) where the Holding Company claimed subscribers during calendar year 2019 (the audit period), using select Federal Communications Commission (FCC) rules and regulations related to the Lifeline Program, including those set forth in C.F.R. Title 47, Part 54 (collectively, FCC Rules). Compliance with the FCC Rules is the responsibility of the Holding Company’s management. DPG’s responsibility is to make a determination regarding the Holding Company’s compliance with the FCC Rules based on our limited review audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG’s findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed four detailed audit findings (Findings) and one other matter (Other Matter) discussed in the Detailed Audit Findings Section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period. An “other matter” is a condition that does not necessarily constitute a rule violation but warrants the Holding Company and USAC management’s attention.

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

Sincerely,

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O’Brien, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect (A)	Overlapping Recovery (B)	Recommended Recovery (A) – (B)
Finding #1: 47 C.F.R. § 54.201(b)(2018) – Subscribers Outside of Designated Service Area. The Holding Company claimed reimbursement for subscribers who resided outside the service area designated by the state commission.	\$39,512	\$0	\$39,512
Finding #2 47 C.F.R. § 54.407(a) (2018) – Improper Lifeline Claims: Qualifying Customers Served. The Holding Company claimed reimbursement for subscribers without a corresponding leased line of service.	\$25,453	\$106	\$25,347
Finding #3: 47 C.F.R. § 54.417(a) (2018) – Lack of or Inadequate Documentation: Usage. The Holding Company did not have adequate documentation or data retention procedures to ensure the proper retention of subscriber usage records.	\$3,085	\$0	\$3,085
Finding #4: 47 C.F.R. § 54.407(c)(2) (2018) – Improper Lifeline Claims: Customers in the Cure Period. The Holding Company claimed reimbursement for subscribers who were in the 15-day cure period and had not cured their non-usage.	\$1,562	\$192	\$1,370
Other Matter #1: 47 C.F.R. § 54.406(b) (2020) – Enrollment Representative Commissions. Enrollment representatives during the audit period received commissions for customer enrollment.	\$0	\$0	\$0
Total	\$69,612	\$298	\$69,314

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC Management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE, AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Holding Company complied with the FCC Rules (Rules).

SCOPE

The Holding Company claimed 58,108 subscribers and \$6,590,513 in support for data months January 2019 through December 2019, the period covered by our audit. The following chart details the subscriber claims and support received amounts by Study Area Code (SAC).

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
109011	ME	Non-Tribal Lifeline	21	\$1,867
179013	PA	Non-Tribal Lifeline	932	\$67,119
189011	MD	Non-Tribal Lifeline	2,642	\$113,843
209017	WV	Non-Tribal Lifeline	39	\$2,329
279047	LA	Non-Tribal Lifeline	166	\$9,320
329014	IN	Non-Tribal Lifeline	122	\$9,355
339033	WI	Non-Tribal Lifeline	61	\$4,928
349025	IL	Non-Tribal Lifeline	0	\$0
349026	IL	Non-Tribal Lifeline	3,054	\$240,359
359128	IA	Non-Tribal Lifeline	127	\$8,738
369017	MN	Non-Tribal Lifeline	97	\$7,043
379023	NE	Non-Tribal Lifeline	621	\$35,125
409021	AR	Non-Tribal Lifeline	1,636	\$95,367
419004	KS	Non-Tribal Lifeline	0	\$0
419022	KS	Non-Tribal Lifeline	5,398	\$324,053
429006	MO	Non-Tribal Lifeline	0	\$0
429014	MO	Non-Tribal Lifeline	3,070	\$190,908
439006	OK	Non-Tribal Lifeline	0	\$0
439009	OK	Non-Tribal Lifeline	163	\$10,611
439009	OK	Tribal Lifeline	1,550	\$439,344
439042	OK	Non-Tribal Lifeline	0	\$0
439043	OK	Non-Tribal Lifeline	3,786	\$204,978
439043	OK	Tribal Lifeline	26,302	\$4,056,027
449045	TX	Non-Tribal Lifeline	0	\$0
449064	TX	Non-Tribal Lifeline	389	\$25,485
459011	AZ	Non-Tribal Lifeline	227	\$14,531
469015	CO	Non-Tribal Lifeline	43	\$2,587
529015	WA	Non-Tribal Lifeline	3,411	\$111,186
529015	WA	Tribal Lifeline	4,198	\$611,029
559008	NV	Non-Tribal Lifeline	37	\$3,077
589005	RI	Non-Tribal Lifeline	16	\$1,304
Total			58,108	\$6,590,513

Notes:

The amount of support listed above reflects disbursements as of the commencement of the audit.

BACKGROUND

The Holding Company operates as a competitive eligible telecommunications carrier (ETC) in all of the states identified in the Scope table above.

PROCEDURES

DPG performed the following procedures:

A. Lifeline Claim System

DPG obtained and examined the Holding Company's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Holding Company's data files. DPG used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Holding Company's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained transferred subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

B. Program Eligibility, Certification and Recertification Process

DPG obtained an understanding of the Holding Company's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Holding Company complied with Program Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier results for 657 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households

DPG obtained an understanding of the Holding Company's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Holding Company to comply with the Independent Economic Household (IEH) requirements. DPG obtained and tested documentation or National Verifier

results for 196 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 657 subscribers.

E. Form 555

DPG obtained and examined the Holding Company's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Holding Company's data files.

F. Non-Usage Process

DPG obtained an understanding of the Holding Company's non-usage process relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 657 subscribers to determine whether the Holding Company properly validated continued use of the Lifeline-supported service. The Scope of this audit did not include an assessment of the Beneficiary's systems that provision, process, and monitor subscribers' usage activities.

G. Minimum Service Standard

DPG obtained an understanding of the minimum services offered by the Holding Company. DPG examined the Holding Company's evidence of the level of service provided for 657 subscribers to determine whether the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

H. Reseller-based Telecommunication Providers

DPG obtained an understanding of the Holding Company's leased phone lines relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation to determine whether the Holding Company properly claimed Lifeline Program subscribers that used the leased phone lines.

I. Enrollment Representative Accountability

DPG obtained an understanding of the Holding Company's enrollment representative process relating to the Lifeline Program and whether enrollment representatives were compensated on a commission basis.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.201(b) (2018) – Subscribers Outside of Designated Service Area

CONDITION

DPG obtained and examined the Holding Company's LCS submission used to support the number of Lifeline claims and mapped the location of each subscriber's address to determine whether the Holding Company provided services to subscribers who resided in the areas where it was designated as an ETC.¹ DPG determined that for three of the 22 SACs where support was claimed, the Holding Company claimed subscribers whose address fell outside of the designated service area for their respective SAC. DPG identified a total of 269 such subscribers who were located at 246 addresses outside the designated service area.

The Oklahoma Corporation Commission, Public Utility Division (PUD) designated the service area for SAC 439043 based on the exchange boundaries for the following Incumbent Local Exchange Carriers (ILECs) listed in the Holding Company's ETC Designation Orders²: Southwestern Bell Telephone Company d/b/a AT&T Oklahoma ("AT&T Oklahoma"), Valor Telecommunications of Texas, LP d/b/a Windstream Communications Southwest ("Windstream"), Oklahoma Windstream, LLC, and Windstream Oklahoma LLC. DPG identified 199 subscribers located at 182 addresses that fell outside the designated service area for this SAC.

The Washington State Utilities and Transportation Commission (UTC-Washington) designated the service area for SAC 529015 based on the exchange boundaries for the following ILECs listed in the Holding Company's ETC Designation Order³: CenturyTel, Frontier Communications Northwest, Inc., Qwest Corporation, and United Telephone – Northwest. DPG identified 52 subscribers located at 46 addresses that fell outside the designated service area for this SAC.

The Illinois Commerce Commission (Commission) designated the service area for SAC 349026 based on the exchange boundaries for the following ILEC listed in the Holding Company's ETC Designation Order⁴: Illinois Bell. DPG identified 18 subscribers located at 18 addresses that fell outside the designated service area for this SAC.

CAUSE

The Holding Company did not have an adequate process in place to ensure it claimed support for eligible subscribers who resided within its designated service area. In response to a previous BCAP Finding⁵ identifying subscribers outside of the service area, the Holding Company implemented a revised process to query carrier

¹ See 47 C.F.R. § 54.201(b) (2018).

² See *Application of Terracom, Inc. for Additional Designation as a Wireless Eligible Telecommunications Carrier Pursuant to 47 U.S.C. § 214(e)*, Oklahoma Corporation Commission, Cause No. PUD 201100015, Order No. 588340 (August 18, 2011); *First Amendment to Application*, Oklahoma Corporation Commission, Cause No. PUD 201900014, Order No. 697113 (June 5, 2019).

³ See *In the Matter of the Petition of YOURTEL AMERICA, For an Exemption from WAC 480-123-030(1)(d), (f) and (g), and Designation as an Eligible Telecommunications Carrier*, Washington State Utilities and Transportation Commission, Docket UT- 110423, (Order 01 June 16, 2011 and Order 02 Sept. 13, 2012).

⁴ See *YourTel America, Inc. Application for Designation as an Eligible Telecommunications Carrier for purposes of Receiving Federal Universal Service Support pursuant to Section 214(E)(2) of the Telecommunications Act of 1996*, Illinois Commerce Commission, Order No. 09-0605 (Mar. 24, 2010).

⁵ See Limited Scope Audit on Compliance with the Federal Universal Service Fund Lifeline Support Mechanism Rules USAC Audit No. LI2017BE037.

information using zip codes and its access to the Local Exchange Routing Guide (LERG). The Holding Company relied on those queries to determine whether subscribers could be served by a carrier listed in its ETC Designation Order based on the zip code entered. However, the results returned through the LERG queries were not consistent with established ILEC exchange boundaries.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
349026	Non-Tribal Lifeline	\$3,118
439043	Tribal Lifeline	\$33,565
439043	Non-Tribal Lifeline	\$74
529015	Non-Tribal Lifeline	\$2,755
Total:		\$39,512

DPG calculated the monetary effect by first determining the number of instances (months) the Holding Company claimed the 269 subscribers. DPG determined the number of instances as the lesser of the number of months between the subscriber's Lifeline start date and the last month claimed for 2019 or the number of months between the date the subscriber moved to the ineligible address and the last month claimed for 2019. DPG identified a total of 1,624 such instances. DPG multiplied the instances by the support amount requested in the 2019 LCS submissions and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Tribal Lifeline	980	\$34.25	\$33,565
Non-Tribal Lifeline	639	\$9.25	\$5,911
Non-Tribal Lifeline	5	\$7.25	\$36
Total:			\$39,512

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above.

DPG recommends that the Holding Company implement policies and procedures to ensure that it adheres to the FCC Rules and only seeks universal support for eligible subscribers within its ETC designated service area in accordance with the FCC Rules. In addition, the Holding Company may learn more about documentation and reporting requirements on USAC's website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-lifeline-program/>.

HOLDING COMPANY RESPONSE

Each and every one of the addresses outside the service area returned as available for landline service from the ILEC in the approved service area, however after collaborating with DPG we agree this method falls short of the recommended methodology. TerraCom had endeavored to create a process like the one recommended in the prior audit but was thwarted by incomplete maps available from the FCC. Fortunately, in October 2023 the FCC published new service area shapefiles which now contain the service areas of the underlying ILECs that were previously unavailable and is currently working on a mapping process.

DPG RESPONSE

DPG maintains that the lookup process implemented by the Holding Company did not return results that were consistent with the service area identified in the applicable ETC Order. For this reason, DPG's position with respect to the finding remains unchanged.

Finding #2: 47 C.F.R. § 54.407(a)(2018) – Improper Lifeline Claims: Qualifying Customers Served

CONDITION

DPG performed a reconciliation between the number of lines leased each month and the number of lines claimed for the month. In November 2019, DPG identified 1,003 subscriber lines that were claimed for support but were not listed as leased for the month and the Beneficiary did not provide documentation or an explanation to demonstrate these November claims were valid. DPG also tested usage data for eleven of the lines included in the variance because they were for subscribers selected in the usage testing sample (See Finding #3 Condition). DPG identified that qualifying usage for all eleven of these lines ended in October. Because no documentation or explanation was provided for the variance and testing performed for lines included in the variance indicated that qualifying activity ended in October, DPG was not able to conclude that these 1,003 claims constituted claims for qualifying Lifeline customers.⁶

CAUSE

The Holding Company's claims process did not identify that the number of claims made for the month exceeded the number of actual leased lines for the same month.

EFFECT

SAC Number	Support Type	Monetary Effect (A)	Overlapping Recovery (B)	Recommended Recovery (A) – (B)
179013	Non-Tribal Lifeline	\$93	\$0	\$93
189011	Non-Tribal Lifeline	\$102	\$0	\$102
209017	Non-Tribal Lifeline	\$9	\$0	\$9
279047	Non-Tribal Lifeline	\$19	\$0	\$19
329014	Non-Tribal Lifeline	\$9	\$0	\$9
349026	Non-Tribal Lifeline	\$296	\$9	\$287
359128	Non-Tribal Lifeline	\$28	\$0	\$28
379023	Non-Tribal Lifeline	\$176	\$0	\$176
409021	Non-Tribal Lifeline	\$46	\$0	\$46
419022	Non-Tribal Lifeline	\$527	\$0	\$527
429014	Non-Tribal Lifeline	\$259	\$0	\$259
439043	Non-Tribal Lifeline	\$259	\$0	\$259
439043	Tribal Lifeline	\$17,947	\$69	\$17,878
449064	Non-Tribal Lifeline	\$46	\$0	\$46
459011	Non-Tribal Lifeline	\$37	\$0	\$37

⁶ See 47 C.F.R. § 54.407(a) (2018).

SAC Number	Support Type	Monetary Effect (A)	Overlapping Recovery (B)	Recommended Recovery (A) – (B)
469015	Non-Tribal Lifeline	\$9	\$0	\$9
529015	Non-Tribal Lifeline	\$1,369	\$28	\$1,341
529015	Tribal Lifeline	\$4,213	\$0	\$4,213
559008	Non-Tribal Lifeline	\$9	\$0	\$9
Total:		\$25,453	\$106⁷	\$25,347

DPG calculated the 2019 monetary effect by first determining the number of instances (months) in 2019 the Holding Company claimed the 1,003 subscribers. DPG identified a total of 1,003 such instances. DPG multiplied the 1,003 instances by the support amount requested in LCS by SAC number and rounded to the nearest whole dollar. DPG totaled the amounts for each SAC to calculate the monetary effect.

Support Type	Instances	Rate	Monetary Effect
Non-Tribal Lifeline	356	\$9.25	\$3,293
Tribal Lifeline	647	\$34.25	\$22,160
Total:			\$25,453

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount recommended in the Effect section above. DPG also recommends that the Holding Company implement policies and procedures to ensure that the number of LCS claimed subscribers does not exceed the number of actual leased lines per month.

HOLDING COMPANY RESPONSE

Evidence of these leased lines were provided to the audit in common industry electronic format. We are dependent on the medium provided by the monopoly landline carrier.

DPG RESPONSE

DPG maintains that sufficient documentation explaining the November 2019 variance of 1,003 lines was not provided and therefore, we were not able to conclude that the corresponding claims constituted claims for qualifying Lifeline customers. For this reason, DPG's position with respect to the finding remains unchanged.

Finding #3: 47 C.F.R. § 54.417(a) (2018) – Lack of or Inadequate Documentation: Subscriber Usage Records

CONDITION

DPG selected a statistically valid sample of 560 subscribers and a judgmental sample of 97 subscribers, and requested usage activity reports to determine if they completed qualifying usage activities prior to the periods claimed.⁸

⁷ \$106 of the monetary effect for this finding overlaps with the monetary effect of Finding #1 for six instances.

⁸ See 47 C.F.R. § 54.417(a) (2018).

DPG noted that the Holding Company was unable to provide adequate usage records for 49 subscribers.

- For 20 subscribers, the Holding Company was able to retrieve usage records summarized on a monthly level but unable to retrieve usage records on a daily level. DPG was unable to verify the usage activity was qualifying based on the monthly summarized usage detail.⁹
- For 27 subscribers, DPG was unable to verify the subscriber activated their services prior to being claimed in LCS because the Gotech T-Mobile Mobility Line usage detail file provided by the Holding Company only included activity starting June 2, 2019.¹⁰
- For one subscriber, DPG noted that the subscriber changed their phone number during the audit period, but the Holding Company was unable to provide usage details for the subscriber's previous phone number.¹¹
- For one subscriber, the usage detail only included text records within the last 30 days the subscriber was claimed, but the usage detail did not specify whether the text message was an incoming or an outgoing text. Due to the lack of information, DPG could not consider the text usage records as qualifying usage.¹²

DPG noted a lack of usage records for one subscriber where the Holding Company stated that they were unable to provide usage records because the subscriber was disconnected, and documentation was not available.¹³

CAUSE

The Holding Company did not have adequate documentation or data retention procedures to ensure the proper retention of subscriber usage records.

EFFECT

SAC Number	Support Type	Monetary Effect (A)	Overlapping Recovery (B)	Recommended Recovery (A) – (B)
379023	Non-Tribal Lifeline	\$37	\$0	\$37
439043	Tribal Lifeline	\$2,911	\$0	\$2,911
529015	Tribal Lifeline	\$137	\$0	\$137
Total:		\$3,085	\$0	\$3,085

DPG calculated the monetary effect of \$3,085 by first determining the number of instances (months) the Holding Company claimed the 50 subscribers. DPG identified a total of 93 such instances. DPG multiplied the 93 instances by the support amount requested in LCS by SAC number and rounded to the nearest whole dollar. DPG totaled the amounts for each SAC to calculate the monetary effect.

⁹ See 47 C.F.R. § 54.407(c)(2) (2018); *Bridging the Digital Divide for Low-Income Consumers*, WC Docket No. 11-42, Fifth Report and Order, 34 FCC Rcd. 10886, 10937, para. 120 (2019) (*2019 Lifeline Order*).

¹⁰ See 47 C.F.R. § 54.407(c)(1) (2018).

¹¹ See 47 C.F.R. § 54.417(a) (2018).

¹² See *Id.*

¹³ See *Id.*

Support Type	Instances	Rate	Monetary Effect
Tribal Lifeline	89	\$34.25	\$3,048
Non-Tribal Lifeline	4	\$9.25	\$37
Total:			\$3,085

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount recommended in the Effect section above. DPG also recommends that the Holding Company implement an adequate system to document qualifying usage activities for subscribers who are eligible to be claimed for Lifeline support.

HOLDING COMPANY RESPONSE

The company agrees, unfortunately a vender that purported to be a proper wholesaler fell short of its contractual agreement and was unable to provide records for a short period of time. TerraCom takes responsibility for its ultimate obligation and cured the issue promptly but only prospectively.

Finding #4: 47 C.F.R. § 54.407(c)(2) – Improper Lifeline Claims: Customers in the Cure Period

CONDITION

DPG selected a statistically valid sample of 560 subscribers and a judgmental sample of 97 subscribers, and requested usage activity reports to determine if they completed qualifying usage activities prior to the periods claimed. DPG determined that for 88 of the subscribers, the last qualifying usage activity listed for the subscriber was 31 to 44 days prior to the support claim.¹⁴ DPG also determined the subscribers did not cure non-usage in the subsequent month and were de-enrolled as required.¹⁵ Subscribers within the cure period are not eligible to be claimed for support.¹⁶

CAUSE

The Holding Company’s was not aware that subscribers in the cure period are not eligible for claim and included these subscribers in its LCS claims.

EFFECT

SAC Number	Support Type	Monetary Effect (A)	Overlapping Recovery (B)	Recommended Recovery (A) – (B)
179013	Non-Tribal Lifeline	\$37	\$0	\$37
189011	Non-Tribal Lifeline	\$65	\$0	\$65
209017	Non-Tribal Lifeline	\$9	\$0	\$9
279047	Non-Tribal Lifeline	\$9	\$0	\$9
339033	Non-Tribal Lifeline	\$9	\$0	\$9
349026	Non-Tribal Lifeline	\$35	\$0	\$35

¹⁴ See *Id.*

¹⁵ See 47 C.F.R. § 54.405(e)(3) (2018).

¹⁶ See *Id.*

SAC Number	Support Type	Monetary Effect (A)	Overlapping Recovery (B)	Recommended Recovery (A) – (B)
359128	Non-Tribal Lifeline	\$9	\$0	\$9
379023	Non-Tribal Lifeline	\$19	\$9	\$10
409021	Non-Tribal Lifeline	\$28	\$0	\$28
419022	Non-Tribal Lifeline	\$102	\$0	\$102
429014	Non-Tribal Lifeline	\$46	\$0	\$46
439043	Non-Tribal Lifeline	\$56	\$0	\$56
439043	Tribal Lifeline	\$993	\$137	\$856
459011	Non-Tribal Lifeline	\$9	\$0	\$9
469015	Non-Tribal Lifeline	\$19	\$9	\$10
529015	Non-Tribal Lifeline	\$74	\$37	\$37
529015	Tribal Lifeline	\$34	\$0	\$34
589005	Non-Tribal Lifeline	\$9	\$0	\$9
Total:		\$1,562	\$192¹⁷	\$1,370

DPG calculated the 2019 monetary effect by first determining the number of instances (months) in 2019 the Holding Company claimed 88 subscribers. DPG identified a total of 88 such instances. DPG multiplied the 88 instances by the support amount requested in LCS by SAC number and rounded to the nearest whole dollar. DPG totaled the amounts for each SAC to calculate the monetary effect.

Support Type	Instances	Rate	Monetary Effect
Non-Tribal Lifeline	1	\$7.25	\$7
Non-Tribal Lifeline	57	\$9.25	\$527
Tribal Lifeline	30	\$34.25	\$1,028
Total:			\$1,562

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount recommended in the Effect section above. DPG also recommends that the Holding Company implement policies and procedures to ensure that it excludes subscribers identified within the cure period from its LCS claims.

HOLDING COMPANY RESPONSE

This process was modified and is compliant.

Other Matter #1: 47 C.F.R. § 54.406(b) (2020) – Enrollment Representative Commissions

CONDITION

DPG determined that during calendar year 2019, the Holding Company used enrollment representatives to enroll new customers and provided compensation to those agents based on the number of consumers enrolled.

¹⁷ \$192 of the monetary effect for this finding overlaps with the monetary effect of Finding #2 for 10 instances.

After the period of our audit, and effective February 25, 2020, the FCC developed rules prohibiting enrollment agents from receiving commissions based on the number of consumers who applied for or enrolled in Lifeline.¹⁸

CAUSE

The enrollment process during the audit period did not comply with upcoming FCC Rules changes scheduled to take effect February 25, 2020.

EFFECT

There is no monetary effect resulting from this matter. We call attention to the audit period process to make the Holding Company aware that it did not comply with upcoming changes to the FCC Rules at the time of our audit.

RECOMMENDATION

DPG recommends that the Holding Company review its current enrollment process to ensure that it has ceased the practice of providing compensation based on the number of consumers enrolled by enrollment representatives.

HOLDING COMPANY RESPONSE

This practice was changed in accordance with the change in rules.

¹⁸ See 47 C.F.R. § 54.406(b) (2020); *Bridging the Digital Divide for Low-Income Consumers; Lifeline and Link Up Reform and Modernization; Telecommunications Carriers Eligible for Universal Service Support*, Fifth Report and Order, 34 FCC Rcd 10886, 10917-10918, para. 76 (2019) (Lifeline Fifth Report and Order).

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.201(b) (2018)	A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission.
#1	<i>In re: Application of Terracom, Inc. for Additional Designation as a Wireless Eligible Telecommunications Carrier Pursuant to 47 U.S.C. § 214(e), Oklahoma Corporation Commission,, Cause No. PUD 201100015, Order No. 588340 (Aug. 18, 2011)</i>	IT IS THEREFORE, THE ORDER OF THE CORPPORATION COMMISSION OF THE State of Oklahoma that the Application filed herein by TerraCom, Inc. for designation as a wireless Eligible Telecommunications Carrier in the service territory of AT&T Oklahoma and Windstream, non-rural incumbent local exchange carriers, is approved, consistent with the findings herein.
#1	<i>In re: Application of Terracom, Inc. for Additional Designation as a Wireless Eligible Telecommunications Carrier Pursuant to 47 U.S.C. § 214(e), Oklahoma Corporation Commission, Cause No. PUD 201900014, Order No. 697113 (June 5, 2019)</i>	THE COMMISSION THEREFORE ORDERS that TerraCom, Inc. is hereby designated as an ETC within the service territories of Oklahoma Windstream, LLC and Windstream Oklahoma, LLC.
#1	<i>In the Matter of the Petition of YOURTEL AMERICA, For an Exemption from WAC 480-123-030(1)(d), (f) and (g), and Designation as an Eligible Telecommunications Carrier, Docket UT-110423, Order 01 June 16, 2011, Order 02 Sept. 13, 2012)</i>	<u>Order 01</u> The Commission grants the petition of YourTel America, Inc. for designation as an Eligible Telecommunications Carrier for the purpose of receiving Lifeline and Link Up support from the federal Universal Service Fund in service areas specified in Appendix A to this Order. The designation is subject to the conditions set forth in Appendix B to this Order. <u>Order 02</u> The Commission grants the petition of YourTel America, Inc. for amending the Company's designation as an Eligible Telecommunications Carrier for the purpose of receiving Lifeline support from the federal Universal Service Fund to include the additional exchange areas listed in Appendix A to this Order. The designation is subject to the conditions set forth in Appendix B to Order 01 in this docket.
#1	<i>IN RE: YourTel America, Inc. Application for Designation as an</i>	BACKGROUND: Applicant seeks designation as an ETC for eligibility to receive low-income support for its wireline and wireless customers in Illinois Bell's non-rural wire center exchanges shown in Exhibit B attached to the application.

Finding	Criteria	Description
	<p><i>Eligible Telecommunications Carrier for purposes of Receiving Federal Universal Service Support pursuant to Section 214(E)(2) of the Telecommunications Act of 1996, Illinois Commerce Commission, Order No. 09-0605 (Mar. 24, 2010)</i></p>	<p>FINDINGS AND ORDERING PARAGRAPHS (5) YourTel shall be designated as an Eligible Telecommunications Carrier for purposes of receiving federal low-income Lifeline Universal Service support from the Federal Universal Service Fund throughout Illinois.</p>
#2	47 C.F.R. § 54.407(a) (2018)	<p>Universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier based on the number of actual qualifying low-income customers it serves directly as of the first day of the month. After the National Verifier is deployed in a state, reimbursement shall be provided to an eligible telecommunications carrier based on the number of actual qualifying low-income customers it serves directly as of the first day of the month found in the National Verifier.</p>
#3	47 C.F.R. § 54.417(a) (2018)	<p>Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Eligible telecommunications carriers must maintain the documentation required in ... [47 C.F.R. §] 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years.</p>
#3	47 C.F.R. § 54.407(c)(1) (2018)	<p>An eligible telecommunications carrier offering a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers: (1) A shall not receive universal service support for a subscriber to such Lifeline service until the subscriber activates the service by whatever means specified by the carrier, such as completing an outbound call.</p>
#3, #4	47 C.F.R. § 54.407(c)(2) (2018)	<p>An eligible telecommunications carrier offering a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers: (2) After service activation, an eligible telecommunications carrier shall only continue to receive universal service support reimbursement for such Lifeline service provided to subscribers who have used the service within the last 30 days, or who have cured their non-usage as provided for in [47 C.F.R.] § 54.405(e)(3). Any of these activities, if undertaken by the subscriber will establish 'usage' of the Lifeline service: (i) Completion of an outbound call; (ii) Purchase of minutes from the eligible telecommunications carrier to add to the subscriber's service plan;</p>

Finding	Criteria	Description
		<p>(iii) Answering an incoming call from a party other than the eligible telecommunications carrier or the eligible telecommunications carrier's agent or representative; or</p> <p>(iv) Responding to direct contact from the eligible communications carrier and confirming that he or she wants to continue receiving the Lifeline service; or</p> <p>(v) Sending a text message.</p>
#3, #4	<p><i>Bridging the Digital Divide for Low-Income Consumers</i>, WC Docket No. 11-42, Fifth Report and Order, 34 FCC Rcd. 10886, 10937, para. 120 (2019) (<i>2019 Lifeline Order</i>)</p>	<p>We are not persuaded by NaLA's argument that we should grant the petition because it relied on informal staff guidance and USAC's website. Commission precedent is clear that carriers must rely on the Commission's rules and orders even in the face of conflicting informal advice or opinion from USAC or Commission staff. NaLA and others must rely on the plain language of the non-usage rules, as codified by the Commission, which state that ETCs will not be eligible to be reimbursed for those subscribers who are in a 15-day non-usage cure period regardless of whether the subscriber's 15- day cure period includes the snapshot date. Additionally, we note that a group of ETCs with at least some overlap with the current NaLA Petitioners acknowledged that the Commission's rules require ETCs to keep Lifeline subscribers enrolled in the program during the cure period without requesting reimbursement for that service.</p>
#4	<p>47 C.F.R. § 54.405(e)(3) (2018)</p>	<p><i>De-enrollment for non-usage.</i> Notwithstanding paragraph (e)(1) of this section, if a Lifeline subscriber fails to use, as 'usage' is defined in [47 C.F.R.] § 54.407(c)(2), for 30 consecutive days a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers, an eligible telecommunications carrier must provide the subscriber 15 days' notice, using clear, easily understood language, that the subscriber's failure to use the Lifeline service within the 15-day notice period will result in service termination for non-usage under this paragraph.</p>
#4	<p><i>WCB Reminds Eligible Telecommunications Carriers of Lifeline Requirements</i>, Docket No. 11-42, Public Notice, DA 24-489, 3 (WCB 2024)</p>	<p>Under the Commission's rules, a subscriber's usage includes completing an outbound call or data usage, buying minutes or data to add to their plan, answering an incoming call from a party other than their provider or a representative of their provider, responding to direct contact from the provider to confirm that the subscriber wishes to continue receiving Lifeline service, or sending an outbound text message. If a Lifeline subscriber does not use their Lifeline service for 30 consecutive days, an ETC must send communication providing the subscriber with "15 days' notice, using clear, easily understood language, that the subscriber's failure to use the Lifeline service within the 15-day notice period will result in service termination." ETCs are required to then de-enroll subscribers that do not use their service during this cure period. ETCs cannot receive reimbursement for subscribers that failed to use their service at least once every thirty days and failed to cure their non-usage.</p>
Other Matter # 1	<p>47 C.F.R. § 54.406(b)</p>	<p>Prohibition of commissions for enrollment representatives. An eligible telecommunications carrier shall not offer or provide to enrollment representatives or their direct supervisors any commission compensation that is based on the number of consumers who apply for or are enrolled in the Lifeline program with that eligible telecommunications carrier.</p>

Other Matter	Criteria	Description
#1	47 C.F.R. § 54.406(b) (2020); <i>see also</i> Bridging the Digital Divide for Low-Income Consumers, 84 Fed. Reg. 71308 (Dec. 27, 2019) (to be codified at 47 C.F.R. §54.406(b))	<i>Prohibition of commissions for enrollment representatives.</i> An eligible telecommunications carrier shall not offer or provide to enrollment representatives or their direct supervisors any commission compensation that is based on the number of consumers who apply for or are enrolled in the Lifeline program with that eligible telecommunications carrier.

****This concludes the report.****

Attachment C

LI2022LR001_

Cox Communications Inc.

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund Lifeline Support Mechanism Rules

USAC Audit No. LI2022LR001

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EXECUTIVE SUMMARY

June 28, 2024

Mr. Derrick Hanson
Director
Cox Communications, Inc.
6205-B Peachtree Dunwoody Rd.
Atlanta, GA 30328

Dear Mr. Hanson:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Cox Communications, Inc. (Beneficiary), for all study area codes (SACs) where the Beneficiary claimed subscribers during the 18-month period from January 1, 2020 through June 30, 2021, using the regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Federal Communication Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Audit Result and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

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

Sincerely,



Jeanette Santana-Gonzalez
USAC Senior Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

AUDIT RESULT AND RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery
Finding: 47 C.F.R. § 54.417(a)(2019) – Inadequate Documentation: Certification Form and Eligibility Documents The Beneficiary did not provide a properly completed certification form or proper proof of eligibility for certain subscribers.	\$1,419
Total Net Monetary Effect	\$1,419

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC Management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE, AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its Lifeline Claims System (LCS) submissions for the 18-month period from January 1, 2020 through June 30, 2021 (the audit period):

SAC Number	State/Territory	Support Type	Number of Subscriber Claims	Amount of Support
279011	Louisiana	Lifeline	4,333	\$28,939
439003	Oklahoma	Lifeline	44,388	\$797,034
549017	California	Lifeline	159,998	\$1,064,880
Total			208,719	\$1,890,853

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in the states identified in the Scope table above.

PROCEDURES

AAD performed the following procedures:

A. Lifeline Claims System

AAD obtained and examined the Beneficiary's LCS submissions for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Beneficiary's data files. AAD used computer-assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area per ETC designation order.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

B. Program Eligibility, Certification and Recertification Process

AAD obtained an understanding of the Beneficiary's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the FCC Rules. AAD also obtained and examined certification and/or recertification documentation or National Verifier results for 58 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households (IEH)

AAD obtained and tested documentation or National Verifier results for the only subscriber to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts

AAD obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 58 subscribers.

E. Form 555

AAD obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Beneficiary's data files.

F. Minimum Service Standard

AAD obtained and examined the Beneficiary's evidence of advertising to determine whether it publicized the eligible services that meet the minimum service standards per FCC Rules. Also, AAD obtained and examined the Beneficiary's evidence of the level of service provided for 58 subscribers to determine whether the Beneficiary provided eligible services that meet the minimum service standards and complied with the FCC Rules.

G. Enrollment Representative Accountability

AAD obtained an understanding of the Beneficiary's enrollment representative process relating to the Lifeline Program to determine whether the Beneficiary complied with the FCC Rules. AAD also examined documentation for two enrollment representatives to determine whether the Beneficiary compensates its enrollment representatives on a commission basis.

DETAILED AUDIT FINDING

FINDING: 47 C.F.R. § 54.417(a) (2019) – Inadequate Documentation: Certification Form and Eligibility Documents

CONDITION

AAD selected a non-statistical sample of 21 subscribers¹ from SACs 279011 and 439003 that were enrolled in Lifeline prior to the Beneficiary’s National Verifier hard launch date, and requested subscribers’ certification forms and eligibility documents to determine if the subscribers were eligible to receive the Lifeline program support claimed by the Beneficiary. Of the 21 subscribers, the Beneficiary was responsible for eligibility and certification process for six and USAC was responsible for 15.²

For the six samples, five subscribers in total had documentation that was not adequate to satisfy the requirements as detailed below:

Inadequate Documentation	No. of Affected Forms
Certification form was dated 20 months prior to the subscriber’s Lifeline enrollment date and was acknowledged and signed by someone other than the subscriber. ³	1
Eligibility documents did not have an issuance or expiration date indicating the subscriber was actively participating in the program at the time of enrollment. ⁴	4
Total No. of Affected Subscribers	5

Because the Beneficiary did not provide an adequate certification form and proof of eligibility documentation, AAD concludes that the five subscribers were not eligible to receive Lifeline program support claimed by the Beneficiary.

CAUSE

The Beneficiary did not have adequate system in place for verifying that the certification forms and eligibility documentation were sufficient to enroll subscribers in the Lifeline program.

EFFECT

AAD calculated the monetary effect of this finding by determining the number of instances (months) the Beneficiary claimed Lifeline support for the subscribers where documentation was inadequate (64 instances). AAD multiplied the number of instances by the Lifeline support amount reimbursed to the Beneficiary. In total

¹ AAD selected a sample of 58 subscribers in total for testing. Twenty-one subscribers were enrolled during the audit period and 37 were enrolled prior to the audit period (existing subscribers).

² The Beneficiary hard launched onto the National Verifier (NV) on January 22, 2020.

³ 47 CFR §54.410(d)(3)

⁴ 47 CFR §54.410(c)(1)(i)(B)

there were 13 instances reimbursed at \$7.25 and 51 instances reimbursed at \$25.97 and then rounded the combined total of the calculation to the nearest whole dollar. AAD summarized the results below:

SAC	Support Type	Monetary Effect and Recommended Recovery
439003	Tribal Lifeline	\$1,325
439003	Lifeline	\$94
Total		\$1,419

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the amount identified in the Effect section above.

Since the launch of the National Verifier, reviewing/approving new subscriber applications has now been the responsibility of USAC. AAD clarifies that this condition was noted prior to the launch of the National Verifier. In addition, the Beneficiary may learn more about documentation and reporting requirements on USAC's website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-lifeline-program/>.

BENEFICIARY RESPONSE

Cox acknowledges that it unintentionally utilized inadequate eligibility documentation with the 5 subscribers referenced. Enrollment and renewals have since been transitioned to the National Verifier, and eligibility documentation is no longer reviewed by Cox. As well, prior to AAD's audit review, we had altered our internal lifeline review process to ensure subscribers moving between addresses are de-enrolled and re-enrolled at the new address in a timelier manner.

CRITERIA

Criteria	Description
47 CFR §54.417(a) (2019)	Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Eligible telecommunications carriers must maintain the documentation required in §§ 54.404 (b)(11), 54.410(b), 54.410 (c), 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years.
47 CFR §54.410(d)(3) (2019)	<p>(d) If a federal eligibility certification form is available, entities enrolling subscribers must use such form to enroll a qualifying low-income consumer into the Lifeline program.</p> <p>(3) The form provided by the entity enrolling subscribers shall require each prospective subscriber to initial his or her acknowledgement of each of the certifications in paragraphs (d)(3)(i) through (viii) of this section individually and under penalty of perjury:</p> <ul style="list-style-type: none"> (i) The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409; (ii) The subscriber will notify the carrier within 30 days if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program-based criteria for receiving Lifeline support, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit. (iii) If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e); (iv) If the subscriber moves to a new address, he or she will provide that new address to the eligible telecommunications carrier within 30 days; (v) The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service; (vi) The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge, (vii) The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and

Criteria	Description
	(viii) The subscriber acknowledges that the subscriber may be required to re-certify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to § 54.405(e)(4).
47 CFR §54.410(c)(1)(i)(B) (2019)	If an eligible telecommunications carrier cannot determine a prospective subscriber's program-based eligibility for Lifeline by accessing eligibility databases, the eligible telecommunications carrier must review documentation demonstrating that a prospective subscriber qualifies for Lifeline under the program-based eligibility requirements. Acceptable documentation of program eligibility includes the current or prior year's statement of benefits from a qualifying assistance program, a notice or letter of participation in a qualifying assistance program, program participation documents, or another official document demonstrating that the prospective subscriber, one or more of the prospective subscriber's dependents or the prospective subscriber's household receives benefits from a qualifying assistance program.

****This concludes the report.****

Summary of the Low Income Support Mechanism Beneficiary Audit Report Released: November 2024.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Attachment D ATN International, Inc.	1	<ul style="list-style-type: none"> No significant findings. 	\$4,513,275	\$39,521	\$39,521	N
Total	1		\$4,513,275	\$39,521	\$39,521	

Attachment D

LI2021LR015



ATN International, Inc.

Limited Review Audit on Compliance with the Federal Universal Service
Fund Lifeline Support Mechanism Rules
USAC Audit No. LI2021LR015

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EXECUTIVE SUMMARY

November 6, 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:

DP George & Company, LLC (DPG) audited the compliance of ATN International, Inc. (Holding Company), for all study area codes (SACs) where the Holding Company claimed subscribers during calendar year 2019 (the audit period), using select Federal Communications Commission (FCC) rules and regulations related to the Lifeline Program, including those set forth in C.F.R. Title 47, Part 54 (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Holding Company's management. DPG's responsibility is to make a determination regarding the Holding Company's compliance with the Program Rules based on our limited scope audit.

DPG conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed one detailed audit finding (Finding) in the Detailed Audit Findings Section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

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

Sincerely,

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Tim O'Brien, USAC Vice President, Lifeline Division

AUDIT RESULT AND RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery
Finding: 47 C.F.R. § 54.417(a) – Lack of and Inadequate Documentation: Pass-Through, Usage and Service Activation. The Holding Company did not have adequate documentation or data retention procedures to ensure the proper retention of subscriber pass through and usage documentation.	\$39,521
Total	\$39,521

USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC Management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Holding Company complied with the FCC Rules (Rules).

SCOPE

The Holding Company claimed 20,139 subscribers and \$4,513,275 in support for data months January 2019 through December 2019, the period covered by our audit. The following chart details the subscriber claims and support received amounts by Study Area Code (SAC).

SAC Number	State	Support Type	Number of Subscribers	Amount of Support
459024	AZ	Tribal Lifeline	7,531	\$2,149,364
469011	CO	Non-Tribal Lifeline	317	\$23,962
489014	MT	Tribal Lifeline	253	\$79,047
499011	NM	Non-Tribal Lifeline	3,027	\$262,566
499011	NM	Tribal Lifeline	1,616	\$569,018
499016	NM	Tribal Lifeline	2,905	\$878,979
509014	UT	Non-Tribal Lifeline	2	\$28
509014	UT	Tribal Lifeline	504	\$159,066
559005	NV	Non-Tribal Lifeline	696	\$43,202
559005	NV	Tribal Lifeline	154	\$45,099
559007	NV	Non-Tribal Lifeline	1,459	\$87,679
559007	NV	Tribal Lifeline	383	\$115,474
643300	VI	Non-Tribal Lifeline	258	\$23,663
649005	VI	Non-Tribal Lifeline	1,034	\$76,128
Total			20,139	\$4,513,275

Notes:

The amount of support listed above reflects disbursements as of the commencement of the audit.

BACKGROUND

The Holding Company operates as a competitive eligible telecommunications carrier (CETC) in all the states identified in the Scope table above.

PROCEDURES

DPG performed the following procedures:

A. Lifeline Claim System

DPG obtained and examined the Holding Company's LCS submission for accuracy by comparing the amounts reported to the National Lifeline Accountability Database (NLAD) and the Holding Company's data files. DPG used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the LCS submission and in NLAD or the comparable state database for the same month.
- The data file contained subscribers who resided outside of the Holding Company's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained deceased subscribers.
- The data file contained transferred subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

B. Program Eligibility, Certification and Recertification Process

DPG obtained an understanding of the Holding Company's enrollment, program eligibility, certification, and recertification processes relating to the Lifeline Program to determine whether the Holding Company complied with Program Rules. DPG also obtained and examined certification and/or recertification documentation or National Verifier (NV) results for 591 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Independent Economic Households

DPG obtained an understanding of the Holding Company's enrollment and certification processes relating to the Lifeline Program to determine the steps taken by the Holding Company to comply with the Independent Economic Household (IEH) requirements. DPG obtained and tested documentation or NV results for 144 subscribers to determine whether the subscribers properly certified compliance with the IEH requirements.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 591 subscribers.

E. Form 555

DPG obtained and examined the Holding Company's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported to the Holding Company's data files.

F. Non-Usage Process

DPG obtained an understanding of the Holding Company's non-usage process relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation for 591 subscribers to determine whether the Holding Company properly validated continued use of the Lifeline-supported service. The Scope of this audit did not include an assessment of the Holding Company's systems that provision, process, and monitor subscribers' usage activities.

G. Minimum Service Standard

DPG obtained an understanding of the minimum services offered by the Holding Company. DPG examined the Holding Company's evidence of the level of service provided for 591 subscribers to determine whether the Holding Company provided eligible services that met the minimum service standards and complied with the FCC Rules.

H. Reseller-based Telecommunication Providers

DPG obtained an understanding of the Holding Company's leased phone lines relating to the Lifeline Program to determine whether the Holding Company complied with the FCC Rules. DPG also examined documentation to determine whether the Holding Company properly claimed Lifeline Program subscribers that used the leased phone lines.

I. Enrollment Representative Accountability

DPG obtained an understanding of the Holding Company's enrollment representative process relating to the Lifeline Program and whether enrollment representatives were compensated on a commission basis.

DETAILED AUDIT FINDING

Finding: 47 C.F.R. § 54.417(a) – Lack of and Inadequate Documentation: Pass-Through, Usage, and Service Activation.

CONDITION

DPG obtained and examined provided documentation from the Holding Company to demonstrate the pass through of Lifeline support and phone usage for a statistically based sample of 591 subscribers. The Holding Company provided a list of Lifeline service plans offered to these subscribers; however, 314 of the 591 sampled subscribers lacked adequate documentation to support the testing performed, as detailed below:¹

Lack of Documentation	No. of Affected Subscribers
Usage Documentation ² - No usage records were provided for SACs 643300 and 649005 (Virgin Islands).	63
Pass-Through Documentation ³ - No evidence was provided to validate that voice minutes and data were replenished monthly per subscriber plans.	141
Inadequate Documentation	
Usage Documentation ⁴ - Monthly summary reports were provided; but did not contain daily usage details necessary to determine the first and last dates of usage within the month. Without these dates, it was not possible to determine whether non-usage was cured within the 15-day notice period following a 30-day period of non-usage.	201
Usage Documentation ⁵ - Evidence supporting activation of the phone was not reflected in the usage details provided.	59
Total No. of Affected Subscribers⁶	314

Without adequate documentation, DPG was not able to conclude that these subscribers were eligible to receive Lifeline support for all months claimed.

CAUSE

The Holding Company did not have adequate documentation or data retention procedures to ensure the proper retention of records necessary to demonstrate pass-through of Lifeline service, tracking of usage activity, or determining service activation.

¹ See 47 C.F.R. § 54.417(a) (2018).

² See 47 C.F.R. § 54.407(c) (2018).

³ See 47 C.F.R. § 54.403(a)(1) (2018).

⁴ See 47 C.F.R. § 54.405(e)(3) (2018) and § 54.407(c)(2) (2018).

⁵ See 47 C.F.R. § 54.407(c)(1) (2018).

⁶ Some exceptions overlapped for the same subscriber. Therefore, the number of affected subscribers is not equal to the sum of the exceptions.

EFFECT

SAC Number	Support Type	Monetary Effect and Recommended Recovery
459024	Tribal Lifeline	\$21,299
469011	Non-Tribal Lifeline	\$259
489014	Tribal Lifeline	\$719
499011	Non-Tribal Lifeline	\$2,679
499011	Tribal Lifeline	\$1,608
499016	Tribal Lifeline	\$4,553
509014	Tribal Lifeline	\$1,575
559005	Non-Tribal Lifeline	\$509
559005	Tribal Lifeline	\$719
559007	Non-Tribal Lifeline	\$814
559007	Tribal Lifeline	\$206
643300	Non-Tribal Lifeline	\$1,251
649005	Non-Tribal Lifeline	\$3,330
Total:		\$39,521

DPG calculated the monetary effect of \$39,521 by first determining the number of instances (months) where the documentation provided did not support the monthly claim. DPG identified a total of 1,857 instances. DPG multiplied the instances by the support amount requested in the 2019 LCS submission and rounded to the nearest whole dollar.

Support Type	Instances	Rate	Monetary Effect
Tribal Lifeline	892	\$34.25	\$30,551
Non-Tribal Lifeline	937	\$9.25	\$8,667
Non-Tribal Lifeline	24	\$7.25	\$174
Tribal Lifeline	4	\$32.35	\$129
Total:	1,857		\$39,521

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. DPG also recommends that the Holding Company establish documentation retention procedures to ensure that pass-through and usage documentation is maintained in accordance with FCC Rules.

HOLDING COMPANY RESPONSE

ATN appreciates the thorough approach taken by DP George in review of Program compliance for calendar year 2019. ATN takes Program compliance seriously and has enacted more rigorous recordkeeping protocols since 2019 to ensure records are retained according to Program rules.

CRITERIA

47 C.F.R. § 54.417(a) (2018)

Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding

calendar years and provide that documentation to the Commission or Administrator upon request. Eligible telecommunications carriers must maintain the documentation required in ... [47 C.F.R. §] 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years.

47 C.F.R. § 54.407(c) (2018)

(c) An eligible telecommunications carrier offering a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers:

(1) Shall not receive universal service support for a subscriber to such Lifeline service until the subscriber activates the service by whatever means specified by the carrier, such as completing an outbound call; and

(2) After service activation, an eligible telecommunications carrier shall only continue to receive universal service support reimbursement for such Lifeline service provided to subscribers who have used the service within the last 30 days, or who have cured their non-usage as provided for in § 54.405(e)(3).

Any of these activities, if undertaken by the subscriber, will establish “usage” of the Lifeline service:

(i) Completion of an outbound call or usage of data;

(ii) Purchase of minutes or data from the eligible telecommunications carrier to add to the subscriber's service plan;

(iii) Answering an incoming call from a party other than the eligible telecommunications carrier or the eligible telecommunications carrier's agent or representative;

(iv) Responding to direct contact from the eligible communications carrier and confirming that he or she wants to continue receiving Lifeline service; or

(v) Sending a text message.

47 C.F.R. § 54.403(a)(1) (2018)

(a) The federal Lifeline support amount for all eligible telecommunications carriers shall equal:

(1) Basic support amount. Federal Lifeline support in the amount of \$9.25 per month will be made available to an eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer, except as provided in paragraph (a)(2) of this section, if that carrier certifies to the Administrator that it will pass through the full amount of support to the qualifying low-income consumer and that it has received any non-federal regulatory approvals necessary to implement the rate reduction.

47 C.F.R. § 54.405(e)(3) (2018)

(e) De-enrollment —

(3) De-enrollment for non-usage. Notwithstanding paragraph (e)(1) of this section, if a Lifeline subscriber fails to use, as “usage” is defined in § 54.407(c)(2), for 30 consecutive days a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers, an eligible telecommunications carrier must provide the subscriber 15 days' notice, using clear, easily understood language, that the subscriber's failure to use the Lifeline service within the 15-day notice period will result in service termination for non-usage under this paragraph. Eligible telecommunications carriers shall report to the Commission annually the number of subscribers de-enrolled for non-usage under this paragraph. This de-enrollment information must be reported by month and must be submitted to the Commission at the time an eligible telecommunications carrier submits its annual certification report pursuant to § 54.416.

****This concludes the report.****