



## Schools & Libraries Committee

### Audit Report Briefing Book

Available For Public Use

Monday, October 28, 2024

Universal Service Administrative Company Offices

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

*Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: July 2024.*

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
<b>Attachment A</b> Fairfax County Public Schools	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$1,303,776	\$0	\$0	\$0	N/A
<b>Attachment B</b> Achievement First School District	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	†\$1,318,892	\$0	\$0	\$0	N/A
<b>Attachment C</b> Sentinel Technologies, Inc.	4	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$13,124,664	\$56,765	\$5,153	\$0	Partial
<b>Attachment D</b> South Carolina Net, Inc.	0	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	\$5,758,042	\$0	\$0	\$0	N/A
<b>Attachment E</b> District of Columbia Public Schools	4	<ul style="list-style-type: none"> <li><b><u>Failure to Comply with Competitive Bidding Requirements – Price was not the Primary Factor:</u></b> The Beneficiary erred in its bid evaluation and did not assign cost the highest weight in its award of a contract for Internet access services.</li> </ul>	\$4,310,745	\$3,731,131	\$11,811	\$0	Partial

<b>Entity Name</b>	<b>Number of Findings</b>	<b>Significant Findings</b>	<b>Amount of Support</b>	<b>Monetary Effect*</b>	<b>USAC Management Recovery Action**</b>	<b>Commitment Adjustment</b>	<b>Entity Disagreement</b>
<b>Total</b>	<b>0</b>		<b>\$23,193,451</b>	<b>\$3,787,896</b>	<b>\$16,964</b>	<b>\$0</b>	

†Total is rounded.

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

\*\*The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment, as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

**Attachment A**

**SL2023LR026**

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**FAIRFAX COUNTY PUBLIC SCHOOLS**

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

**USAC AUDIT No. SL2023LR026**



Sikich CPA LLC  
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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
FAIRFAX COUNTY PUBLIC SCHOOLS  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

**June 25, 2024**

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> (referred to as “Sikich” or “we”) audited the compliance of Fairfax County Public Schools (Beneficiary), Billed Entity Number (BEN) 126423, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select the Beneficiary’s service providers, 2) data used to calculate the discount percentage and the type and amount of equipment and services received, and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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<sup>1</sup> 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”).

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

### Audit Results

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

### Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2021. The Beneficiary is a school district located across Fairfax County in Northern Virginia that serves approximately 188,000 students.

The following chart summarizes the E-Rate support amounts committed to the Beneficiary for FY 2021 as of March 1, 2023, our audit announcement date, and the amounts disbursed to the Beneficiary as of November 10, 2023, the date that we completed our initial fieldwork testing.<sup>2</sup>

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$1,523,910	\$1,030,534
Basic Maintenance of Internal Connections	\$50,804	\$50,804
Internet Access	<u>\$239,889</u>	<u>\$222,438</u>
<b>Total</b>	<b><u>\$1,814,603</u></b>	<b><u>\$1,303,776</u></b>

The “amount committed” total represents two FCC Form 471, *Description of Services Ordered and Certification*, applications submitted by the Beneficiary for FY 2021 that resulted in five Funding Request Numbers (FRNs). We selected four of the FRNs,<sup>3</sup> which represent \$1,758,325 of the funds committed and \$1,257,248 of the funds disbursed during the audit period.<sup>4</sup> Using this sample, we performed the audit procedures enumerated below.

<sup>2</sup> On November 10, 2023, we expanded the audit scope to include \$209,123 disbursed for FRN 2199033218 after our audit announcement date of March 1, 2023.

<sup>3</sup> Our sample included FRNs 2199020952, 2199033218, 2199033234, and 2199039445.

<sup>4</sup> Our original sample included \$1,048,125 in disbursements made as of March 1, 2023, the date our audit commenced. We then expanded the audit scope to include an additional \$209,123 in internal connections disbursements that occurred between March 1, 2023 and November 10, 2023, the date we completed our initial fieldwork testing, which increased the total sampled disbursements to \$1,257,248.



#### **A. Application Process**

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We performed inquiries and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

#### **B. Competitive Bid Process**

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible equipment and services as the primary factor in selecting the sampled Service Providers. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC's website before signing contracts with the selected Service Providers. Additionally, we examined the Service Provider contracts to determine whether they were properly executed.

#### **C. Invoicing Process**

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Form 472s, *Billed Entity Applicant Reimbursements (BEAR) Forms*, and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

#### **D. Site Visit**

We performed physical site visits to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary used the funding in an effective manner.

#### **F. Reimbursement Process**

We obtained and examined invoices that the Beneficiary submitted to USAC for reimbursement and performed procedures to determine whether the Beneficiary had properly invoiced USAC. Specifically, we reviewed invoices associated with the BEAR Forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR Forms and corresponding Service

Provider bills were consistent with the terms and specifications of the Service Provider agreements and were eligible in accordance with the E-Rate Eligible Services List.

*Sibich CPA LLC*

**Attachment B**

**SL2024LR004**

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# Achievement First School District

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

**USAC Audit No. SL2024LR004**

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## EXECUTIVE SUMMARY

March 27, 2024

Marques Stewart, Senior Director  
Achievement First  
370 James Street, Suite 404  
New Haven, CT 6513

Dear Mr. Stewart,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Achievement First (Beneficiary), Billed Entity Number (BEN) 16027027, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of 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 competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

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

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

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

Sincerely,



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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

### PURPOSE

The purpose of the audit was to determine whether Achievement First School District complied with the FCC Rules.

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2022(audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$200,177.57	\$93,060.84
Internet Access	\$1,488,132.00	\$ 1,225,830.73
<b>Total</b>	<b>\$1,688,309.57</b>	<b>\$1,318,891.57</b>

*Note:* The amounts committed and disbursed reflect funding year activity as of the commencement of the audit.

The committed total represents four FCC Form 471 applications with 23 Funding Request Numbers (FRNs). AAD selected five FRNs of the 23 FRNs,<sup>1</sup> which represent \$1,688,309.57 (83%) of the funds committed and \$1,318,891.57 (85%) of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2022 applications submitted by Achievement First School District.

### BACKGROUND

The Beneficiary is a School District located in New Haven, Connecticut that serves over 14,000 students.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, AAD examined documentation to determine if it supported the effective use of funding and demonstrated that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation/inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

AAD obtained and examined documentation to determine whether the Beneficiary complied with the E-Rate program Children's Internet Protection Act (CIPA) requirements. Specifically, AAD obtained and

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<sup>1</sup> The FRNs included in the scope of this audit were: 2299043640, 2299043617, 2299032673, 2299032119, and 2299023065.



evaluated the Beneficiary's Internet Safety Policy. AAD obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

**B. Competitive Bid Process**

AAD obtained and examined documentation to determine whether the Beneficiary properly selected a Service Provider that provided eligible services, and the price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or with the selected Service Providers. AAD examined the Service Providers' contracts to determine whether they were properly executed.

**C. Invoicing Process**

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs) and corresponding Service Providers' bills were consistent with the terms and specifications of the Service Providers' agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

**D. Site Visit**

AAD performed a physical inventory to evaluate the location and use of equipment and services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

**E. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR forms for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the BEAR forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-Rate Eligible Services List.

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

**Attachment C**  
**SL2023SP038**

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**PERFORMANCE AUDIT**

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**SENTINEL TECHNOLOGIES, INC.**

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

**USAC AUDIT No. SL2023SP038**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
SENTINEL TECHNOLOGIES, INC.  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

December 4, 2023

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> (referred to as “Sikich” or “we”) audited the compliance of Sentinel Technologies, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143008231, for Funding Year (FY) 2021, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with the FCC Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services that the Service Provider provided to E-Rate applicants in the states of Arizona, Colorado, Florida, Illinois, Indiana, Missouri, and Wisconsin (selected Beneficiaries). The audit also included performing other procedures we considered necessary to make a determination regarding the Service Provider’s compliance with relevant FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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<sup>1</sup>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”).

Based on the test work performed, our examination disclosed four detailed audit findings, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “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 Service Provider, and the FCC and should not be used by those who have not agreed to the procedures and accepted responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

### Audit Results and Recovery Action

Based on the test work performed, our examination found that the Service Provider and the selected Beneficiaries did not comply with FCC Rules, as detailed in the four audit findings discussed below.

Audit Results	Monetary Effect	USAC Recovery Action
<b>Finding No. 1, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2021) – Beneficiary Invoiced E-Rate Program for Equipment Not Requested for Funding.</b> One of the selected Beneficiaries invoiced the E-Rate program for equipment that it did not include in its FCC Form 471 application.	\$39,715	\$0
<b>Finding No. 2, 47 C.F.R. § 54.516(a) (2021) – Missing Equipment, Lack of Documentation of Equipment Received, and Equipment Not Used for Educational Purpose.</b> Three of the selected Beneficiaries were not able to account for all of the equipment they purchased with E-Rate funds and one was not using sampled equipment for an educational purpose.	\$5,153	\$5,153
<b>Finding No. 3, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2021); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2021) – Service Provider Invoiced E-Rate Program for Equipment Installed at Non-Instructional Facilities (NIFs).</b> The Service Provider invoiced the E-Rate program for equipment that it installed at NIFs.	\$3,445	\$0
<b>Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Equipment Not Provided.</b> The Service Provider invoiced	<u>\$8,452</u>	<u>\$0</u>

Audit Results	Monetary Effect	USAC Recovery Action
the E-Rate program for equipment that was not delivered to one of the selected Beneficiaries.		
<b>Total Net Monetary Effect</b>	<b><u>\$56,765</u></b>	<b><u>\$5,153</u></b>

### USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amounts. USAC will request the selected Beneficiaries and Service Provider provide copies of policies and procedures implemented to address the issues identified. USAC also refers the selected Beneficiaries and Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2023/E-Rate-Fall-Training-2023-Invoicing.pdf>
- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/07-27-2021-E-Rate-Equipment-Transfers-Webinar-Slides.pdf>
- <https://www.usac.org/e-rate/applicant-process/before-you-begin/non-instructional-facilities-nifs/>
- <https://www.usac.org/e-rate/resources/document-retention/>

USAC records show the selected Beneficiaries and Service Provider are currently subscribed to the E-Rate News Brief. USAC encourages the selected Beneficiaries and Service Provider to review the News Brief as it contains valuable information about the E-rate Program.

FRN	Recovery Amount
2199039055	\$798
2199014958	\$448
2199026889	<u>\$3,907</u>
<b>Total Monetary Effect</b>	<b><u>\$5,153</u></b>

### Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2021. The Service Provider is headquartered in Downers Grove, Illinois, and provides Basic Maintenance of Internal Connections (BMIC), fiber wide area networks, internal connections, and managed internal broadband services.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2021 as of March 22, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Basic Maintenance of Internal Connections	\$152,966	\$30,137
Data Transmission and/or Internet Access	\$110,126	\$69,900
Internal Connections	\$31,715,342	\$12,900,241
Managed Internal Broadband Services	\$280,081	\$124,386
<b>Total</b>	<b><u>\$32,258,515</u></b>	<b><u>\$13,124,664</u></b>

The “amount committed” total represents 106 FCC Form 471 *Description of Services Ordered and Certification* applications submitted by the Beneficiaries for FY 2021 that resulted in 168 Funding Request Numbers (FRNs). We selected a sample of 40 FRNs,<sup>2</sup> which represent \$20,558,892 of the funds committed and \$8,306,950 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

**A. Eligibility Process**

We conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether equipment and services were eligible and had been delivered and installed in accordance with FCC Rules. We obtained an understanding of the Service Provider’s operations and background. We also conducted inquiries and examined documentation to determine if the Service Provider was eligible to perform services, as well as to obtain general background information.

**B. Competitive Bid Process**

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

**C. Billing Process**

We reviewed the FCC Form 474, SPI Forms, and FCC Form 472, BEAR Forms, for which USAC disbursed payment to determine whether the services identified on the SPI Forms and BEAR Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider’s contracts and were eligible in accordance with the E-Rate Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the Lowest

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<sup>2</sup> We sampled FRNs 2199045943, 2199000182, 2199029375, 2199024231, 2199048210, 2199026889, 2199038240, 2199049220, 2199024745, 2199051201, 2199006891, 2199049160, 2199044896, 2199027329, 2199004005, 2199042485, 2199017819, 2199046769, 2199048401, 2199014958, 2199061786, 2199003402, 2199049332, 2199058852, 2199050629, 2199042412, 2199054455, 2199036201, 2199033746, 2199039055, 2199000073, 2199058902, 2199047482, 2199003176, 2199003972, 2199033230, 2199044757, 2199021177, 2199035639, and 2199041896.



Corresponding Price charged for similar services billed to non-residential customers similarly situated to the selected Beneficiaries.

**D. Reimbursement Process**

We obtained and examined the SPI Forms and BEAR Forms that the Service Provider and selected Beneficiaries submitted to USAC for reimbursement for the equipment and services delivered to the selected Beneficiaries and performed procedures to determine whether the Service Provider and/or selected Beneficiaries had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the SPI Forms and BEAR Forms for equipment and services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries for USAC reimbursements.

**Detailed Audit Findings**

**Finding No. 1, FCC Form 472, BEAR Form at Block 3 (2021) – Beneficiary Invoiced E-Rate Program for Equipment Not Requested for Funding**

**Condition**

Noble Network of Charter Schools (Beneficiary) invoiced the E-Rate program for equipment that it did not include in its FCC Form 471 application for FRN 2199048401. Specifically, the Beneficiary invoiced the E-Rate program for:

- \$39,735 for 35 access points and the related licenses and professional services in excess of those included on the Beneficiary’s FCC Form 471 application because the Beneficiary had already invoiced the E-Rate program for all equipment funded under FRN 2199048401 (i.e., 703 access points and the related licenses). The Beneficiary originally invoiced USAC for the unfunded equipment on September 22, 2022. However, in response to our audit inquiries, the Beneficiary requested and obtained a revised Funding Commitment Decision Letter (FCDL) for this FRN on September 5, 2023, which approved the additional access points and associated licenses.
- \$6,988 of equipment charges inappropriately funded under BMIC FRN 2199048537, as follows:

Equipment	Unit Price	Quantity	Amount Invoiced
SNTC-8X5XNBD Catalyst 9500	\$2,213	2	\$4,426
SNTC-8X5XNBD Catalyst 9300	\$854	3	2,562
<b>Total</b>			<b><u>\$6,988</u></b>

**Cause**

The Beneficiary did not have adequate controls in place to ensure the accuracy of amounts invoiced to the E-Rate program on its BEAR Forms.

**Effect**

The cost of the equipment inappropriately charged to these FRNs is \$46,723 (\$39,735 plus \$6,988). The monetary effect for this finding is \$39,715 (\$46,723 multiplied by the Beneficiary’s 85 percent discount rate). However, we are not recommending recovery of this amount because 1) USAC subsequently approved funding for the additional access points under FRN 2199048401; and 2) the Beneficiary reduced its December 22, 2023, BEAR for FRN 2199048537 by \$6,988 to reimburse USAC for the erroneous BMIC charges.

Support Type	Discount Rate	Pre-Discount Amount	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199048401	85%	\$39,735	\$33,775	\$0
BMIC FRN 2199048537	85%	<u>\$6,988</u>	<u>\$5,940</u>	<u>\$0</u>
<b>Totals</b>		<b><u>\$46,723</u></b>	<b><u>\$39,715</u></b>	<b><u>\$0</u></b>

**Recommendation**

We recommend that the Beneficiary implement controls to ensure that its BEAR Forms do not include costs for equipment and/or services that it did not receive funding approval for under the relevant FRN before invoicing the E-Rate program.

**Beneficiary Response**

*Noble Network of Charter Schools (NNCS) disagrees with the finding that any funding was received in excess of the amount approved on the FRN. The 35 access points at issue were the subject of a service substitution that was processed and approved by USAC on September 5, 2023. A copy of the Revised Funding Commitment Decision Letter approving the substitution is attached with this response. As a result of the substitution, USAC created two additional detail lines on the FRN that correspond with the 35 access points. This equipment and the associated licenses are included in the funding request.*

*Below is a list of the updated line items showing the additional lines and the updated quantities for the equipment at issue:*

Line#	FCC Function C	FCC Product Type	A Manufac	Model	aig	One-time UnitCost II	One-time Unit Ineligible	Recurring Cost II
1	Wireless Data Distribution	Access Point	Meraki	MR46-HW	703	\$514.00	\$0.00	\$361,342.00
2	License	License	Meraki	LIC-ENT-5YR	703	\$160.00	\$0.00	\$112,480.00
3	Data Distribution	Switch	Meraki	MS39048UX-HW	39	\$4,584.00	\$0.00	\$178,776.00
4	Data Distribution	Switch	Meraki	MS39048UX2-HW	150	\$4,428.00	\$0.00	\$664,200.00
5	License	License	Meraki	LIC-MS39048E-5Y	189	\$1,068.00	\$0.00	\$201,852.00
6	Module	Module	Meraki	MA-PWR-1100WAC	189	\$698.00	\$0.00	\$131,922.00

7 Cabling/Connectors	Cabling	Meraki	MA-CBL-120G-50CM	145	\$45.00	\$0.00	\$6,525.00
8 Cabling/Connectors	Cabling	Meraki	MA-CBL-SPWR-30CM	139	\$39.00	\$0.00	\$5,421.00
9 Cabling/Connectors	Cabling	Meraki	MA-CBL-120G-1M	25	\$89.00	\$0.00	\$2,225.00
10 Cabling/Connectors	Cabling	Meraki	MA-CBL-SPWR-150CM	37	\$80.00	\$0.00	\$2,960.00
11 Cabling/Connectors	Cabling	Meraki	MA-CBL-120G-3M	6	\$133.00	\$0.00	\$798.00
12 Module	Module	Meraki	MA-MOD4X10G	122	\$461.00	\$0.00	\$56,242.00
13 Transceiver	Transceiver	Meraki	MA-SFP-10GB-SR	222	\$353.00	\$0.00	\$78,366.00
14 Data Distribution	Switch	Oscosystems	C9500-24Y 4C-EDU	2	\$7,651.00	\$0.00	\$15,302.00
15 Transceiver	Transceiver	Oscosystems	SFP-25G-SR-S	32	\$353.00	\$0.00	\$11,296.00
16 Data Distribution	Switch	Oscosystems	C9K-PWR-650WAC-R/2	2	\$744.00	\$0.00	\$1,488.00
17 License	License	Oscosystems	C9500-DNA-L-A-5Y	2	\$4,190.00	\$0.00	\$8,380.00
18 Data Distribution	Switch	Oscosystems	C930048T-EDU	3	\$2,950.00	\$0.00	\$8,850.00
19 Module	Module	Oscosystems	PWR-C1-350WAC-P/2	3	\$231.00	\$0.00	\$693.00
20 Cabling/Connectors	Cabling	Oscosystems	STACK-T1-50CM	3	\$36.00	\$0.00	\$108.00
21 Cabling/Connectors	Cabling	Oscosystems	CAB-SPWR-30CM	3	\$34.00	\$0.00	\$102.00
22 Module	Module	Oscosystems	C9300-NM-8X	3	\$904.00	\$0.00	\$2,712.00
23 License	License	Oscosystems	C9300-DNA-E-48-5Y	3	\$663.00	\$0.00	\$1,989.00
24 Transceiver	Transceiver	Oscosystems	SFP-10G-SR	16	\$366.00	\$0.00	\$5,856.00
25 Miscellaneous	Installation, Activation, & Initial Configuration	Meraki	Install and Configuration		\$146,945.88	\$0.00	\$146,945.88
26 Wireless Data Distribution	Access Point	Meraki	MR46-HW	35	\$559.00	\$0.00	\$19,565.00
27 License	License	Meraki	LIC-ENT-5YR	35	\$158.00	\$0.00	\$5,530.00
							<b>\$2,031,925.88</b>

*NNCS has sufficient controls in place to ensure the accuracy of their invoicing when it is submitted to USAC for payment. To date, NNCS has received disbursements representing payment for two BEARs, totaling \$1,433,964.85. Below is a breakdown of the invoices provided on both BEARs and the equipment make/model and quantities purchased. The district has a final BEAR to claim the unused portions of FRN Lines 3-13, which will fully utilize the funding request and ensure only eligible products and services, up to the approved line-item amounts, have been billed to USAC. This includes ensuring that any charges associated with other funding requests have not been submitted for reimbursement. With the submission of these invoices, its review of internal change orders, and the submission of the service substitution, NNCS has sufficient controls in place to prevent receiving funds in excess of what was approved on the FRN.*

Model	NN21-47203-IC					NN21-47206-V2	Totals
	P673057 P673362	P673725	P674616	P688160	P688522	P700425	
MR46-HW	290		113		300		703

LIC-ENT-5YR	290		113		300		703
MS390-48UX-HW	16		7			6	29
MS390-48UX2-HW	33		36			34	103
LIC-MS390-48E-5Y	49		43			40	132
MA-PWR-1100WAC	49		43			40	132
MA-CBL-120G-50CM	40		35		1	28	104
MA-CBL-SPWR-30CM	38		33			28	99
MA-CBL-120G-1M	5		5			6	16
MA-CBL-SPWR-150CM	9		9			8	26
MA-CBL-120G-3M	2		2			1	5
MA-MOD-4X10G	32		26			28	86
MA-SFP-10GB-SR	54		46			50	150
C9500-24Y4C-EDU	2						2
SFP-25G-SR-S	32						32
C9K-PWR-650WAC-R/2	2						2
C9500-DNA-L-A-5Y	2						2
C9300-48T-EDU	3						3
PWR-C1-350WAC-P/2	3						3
STACK-T1-50CM	3						3
CAB-SPWR-30CM	3						3
C9300-NM-8X	3						3
C9300-DNA-E-48-5Y	3						3
SFP-10G-SR	16						16
Install and Configuration	\$73,126.12	\$1,980.00	\$38,019.93	\$14,640.00	\$51,474.00	\$17,658.42	\$196,898.47
MR46-HW				35			35
LIC-ENT-5YR				35			35

### Auditor Response

The Beneficiary invoiced the E-Rate program for equipment that was not approved for funding under FRN 2199048401 prior to obtaining an approved service substitution from USAC. Therefore, we do not agree that it has sufficient controls in place to ensure that invoices submitted to USAC for payment are accurate and will prevent it from receiving funds exceeding what was approved on its FRNs. Accordingly, our position regarding this finding has not changed.

### **Finding No. 2, 47 C.F.R. § 54.516(a) (2021) – Missing Equipment, Lack of Documentation of Equipment Received, and Equipment Not Used for Educational Purpose**

#### Condition

Three of the selected Beneficiaries were unable to account for all of the equipment invoiced to the E-Rate program, as follows:<sup>3</sup>

- **FRN 2199039055 (Alsip Hazelgreen and Oaklawn School District 126).** The Service Provider invoiced the E-Rate program for 10 Uninterruptible Power Supply (UPS) units delivered to this Beneficiary. However, the Beneficiary's fixed asset listing (FAL) only includes nine UPS units. The pre-discount cost of the missing UPS unit was \$997.
- **FRN 2199014958 (Bloomer School District).** The Beneficiary was unable to locate one of the sampled access points during our virtual site visit. The Beneficiary stated that it had removed the access point because of a leak in the ceiling of the building in which it

<sup>3</sup>See also 47 C.F.R. § 54.504(a)(1)(v) (2021).

was installed but was unable to determine where it had moved the access point. The pre-discount cost of the missing access point and the associated license was \$640.

- **FRN 2199026889 (Cassopolis Public School District).** The Beneficiary was unable to locate six of the sampled access points during our virtual site visit. The Beneficiary stated that it had located the missing access points after the site visit; however, it noted that those access points were still in boxes and had not yet been installed. Further, the Beneficiary confirmed in an October 18, 2023, e-mail that the equipment had not yet been installed as of that date. Accordingly, the equipment was not being used for an educational purpose as required by the E-Rate rules. The pre-discount cost of the six uninstalled access points and the associated licenses was \$4,596.

**Cause**

The three selected Beneficiaries did not have adequate processes in place to ensure that they accurately accounted for all of the equipment purchased with E-Rate funding.

**Effect**

The cost of the missing and uninstalled equipment was \$6,233 (\$997 plus \$640 plus \$4,596). The monetary effect for this finding is \$5,153 (the pre-discount amounts multiplied by each Beneficiary’s discount rate), as detailed in the table below.

Support Type	Discount Rate	Pre-Discount Amount	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199039055	80%	\$997	\$798	\$798
Internal Connections FRN 2199014958	70%	\$640	\$448	\$448
Internal Connections FRN 2199026889	85%	<u>\$4,596</u>	<u>\$3,907</u>	<u>\$3,907</u>
<b>Totals</b>		<b><u>\$6,233</u></b>	<b><u>\$5,153</u></b>	<b><u>\$5,153</u></b>

**Recommendations**

We recommend that:

1. The E-Rate program seek recovery of the amounts identified in the Effect section above.
2. The three selected Beneficiaries implement procedures to accurately account for equipment purchased with E-Rate program funding and install the equipment timely to ensure it is used for an educational purpose.

**Beneficiary Responses**

Alsip, Hazelgreen and Oak Lawn School District 126

*Alsip, Hazelgreen and Oak Lawn School District 126 apologizes for the confusion regarding the questioned UPS device. At that time we were not receiving complete shipments due to supply*

chain issues. We were also dealing with staffing issues and the COVID-19 crisis. These issues all lead to the device mistakenly being accounted for when it was never received. District 126 is now fully staffed, and we have instituted that a second person must double check deliveries to ensure that everything noted in the packing slip has been received.

#### Bloomer School District

The School District of Bloomer had a water leak in the room adjacent to the gymnasium where the access point in question was located. It was not discovered until enough moisture had come through to cause the access point to lose functional operability. It was decided that the support staff person at the time should take the equipment down and store it and was also decided that it would not be replaced as the fear of another leak in the same location would cause another to fail. That staff member, along with another one, are no longer with the district and we are unable to locate where they had placed that access point that had failed due to the moisture damage. Unfortunately, attempts to reach out to this person were unsuccessful and we are unable to locate the filed piece anywhere in the building. Because of the nature of the roof leak, and the timing of all of the events that took place there was no way to wait for the Director of Technology to come and remove that device personally. After that process took place, it went unnoticed for a period of time and as stated earlier the aforementioned staff member left the district.

#### Cassopolis Public School District

I agree with the findings of the Cassopolis PSD Audit. Thank you for working with me on this. Necessary steps have been taken to ensure this issue does not happen again.

### **Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Equipment Installed at NIFs**

#### **Condition**

The Service Provider invoiced the E-Rate program for equipment that it installed at NIFs. Specifically:

- **FRN 2199046769 (Brookwood School District 167).** The Service Provider installed three Meraki MR44 access points at Brookwood School District Administrative Center, which is an ineligible NIF location. The pre-discount cost of the three access points with the associated licenses and installation services was \$2,093.
- **FRN 2199026889 (Cassopolis Public School District).** The Service Provider installed an access point and a switch at the Beneficiary's bus garage, which is an ineligible NIF location. The pre-discount cost of the access point, switch, and associated licenses was \$1,960.

#### **Cause**

The Service Provider did not have adequate controls in place to ensure that it only invoiced the E-Rate program for equipment installed at eligible locations.

**Effect**

The cost of the equipment installed in the two ineligible NIF locations was \$4,053 (\$2,093 plus \$1,960). The monetary effect for this finding is \$3,445 (the pre-discount amounts multiplied by each Beneficiary’s discount rate). Because the Service Provider has repaid the E-Rate program for these amounts, we do not recommend recovery of these funds.

Support Type	Discount Rate	Pre-Discount Amount	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199046769	85%	\$2,093	\$1,779	\$0
Internal Connections FRN 2199026889	85%	\$1,960	\$1,666	\$0
<b>Totals</b>		<b>\$4,053</b>	<b>\$3,445</b>	<b>\$0</b>

**Recommendation**

We recommend that the Service Provider implement controls to ensure that it only invoices the E-Rate program for equipment installed at eligible locations.

**Service Provider Response**

*Sentinel has repaid the \$3,445 to USAC (see attached payment receipt and detail of payment on USAC 471 refund document). Sentinel will implement controls that coordinate the accounting/invoicing function with a review of what has been signed off on by the Beneficiary.*

**Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2021); FCC Form 474, SPI Form at Block 3 (2021) – Service Provider Invoiced the E-Rate Program for Equipment Not Provided**

**Condition**

The Service Provider invoiced the E-Rate program for equipment that was not provided to Chicago Public Schools (Beneficiary) for FRN 2199044757. Specifically, the Service Provider erroneously billed the selected Beneficiary—and invoiced the E-Rate program—for \$9,943 for a 210N Cachebox (and the related license) that was never delivered to the Beneficiary.

**Cause**

The Service Provider did not have adequate controls in place to ensure Beneficiaries received all of the equipment that the Service Provider invoiced to the E-Rate program.

**Effect**

The monetary effect for this finding is \$8,452 (\$9,943 multiplied by the Beneficiary’s 85 percent discount rate). However, as the Service Provider has already refunded the E-Rate program, we do not recommend recovery of these funds.

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199044757	\$8,452	\$0
<b>Totals</b>	<b><u>\$8,452</u></b>	<b><u>\$0</u></b>

### Recommendation

We recommend that the Service Provider implement additional reconciliation procedures designed to ensure that it invoices the E-Rate program only for equipment it actually provides.

### Service Provider Response

*Sentinel will implement controls that coordinate the accounting/invoicing function with a review of what has been signed off on by the Beneficiary.*

### Criteria

Finding	Criteria	Description
1	FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form, at Block 3 (2021)	<p><i>. . . . I certify to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or services delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</i></p> <p><i>B. The discount amounts listed in this Billed Entity Applicant Reimbursement Form were already billed by the Service Provider and paid for by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.</i></p> <p><i>C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FCDL).</i></p>
2	47 C.F.R. § 54.516(a) (2021)	<p><i>Recordkeeping requirements—(1) Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with</i></p>



Finding	Criteria	Description
		<p><i>the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.</i></p>
2	47 C.F.R. § 54.504(a)(1)(v) (2021)	<p><i>The services the school, library, or consortium purchases at discounts will be used primarily for educational purposes...</i></p>
3, 4	FCC Form 473, Service Provider Annual Certification (SPAC) Form, at Block 2 (2021)	<p><i>8. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for service which have been billed to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i></p> <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p><i>11. I certify that the bills or invoices submitted by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i></p> <p><i>23. I certify that, in addition to the foregoing, this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program, and acknowledges that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and for cancellation of funding commitments. I acknowledge that failure to comply with the rules and orders governing the schools and libraries</i></p>

Finding	Criteria	Description
		<i>universal service support program could result in civil or criminal prosecution by law enforcement authorities.</i>
3, 4	FCC Form 474, Service Provider Invoice (SPI) Form, at Block 3 (2021)	<p><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitment.</i></p> <p><i>C. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</i></p>

*Sikich CPA LLC*

**Attachment D**

**SL2023SP033**

Available For Public Use

*Limited Scope Performance Audit  
of  
South Carolina Net, Inc., dba Segra / South Carolina Net,  
Inc.'s*

*Compliance with the Federal Universal Service Fund  
E-Rate Support Mechanism Rules*

*for Funding Year 2021*

*Conducted for:*

*Universal Service Administrative Company*

*USAC Audit No. SL2023SP033*



MANAGEMENT CONSULTANTS &  
CERTIFIED PUBLIC ACCOUNTANTS

1420 K Street, NW  
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Washington, DC 20005

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## Executive Summary

July 15, 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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of South Carolina Net, Inc. dba Segra/South Carolina Net, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143001237, for the twelve-month period ended June 30, 2022, (Funding Year 2021), using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC Rules). Compliance with the relevant FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules, based on our limited scope performance audit, pursuant to 47 C.F.R Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services provided by the Service Provider to E-Rate program Beneficiary, as well as performing other procedures we considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

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

Sincerely,

*Regis & Associates, PC*

Regis & Associates, PC

Washington, DC

July 15, 2024

## Background, Objective, Scope, and Procedures

### Background

#### South Carolina Net, LLC dba Segra/South Carolina Net, Inc.– Overview

South Carolina Net, Inc. DBA Segra/South Carolina Net, Inc. (SCN), is a self-certified small, disadvantaged business providing broadband services to rural communities throughout South Carolina.

### Objectives

The objective of this performance audit was to determine whether the Service Provider complied with the applicable FCC Rules that governed the E-Rate program; for Funding Year 2021.

### Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Service Provider's compliance with the FCC Rules. These rules govern E-Rate commitment amounts and disbursements received by the Service Provider during Funding Year 2021. The testing and analysis conducted is detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Service Provider for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$7,806,967	\$5,758,042

*Note:* The amounts committed and disbursed reflect funding year activity as of March 27, 2023.

The committed total represents 11 FCC Form 471 applications with 16 Funding Request Numbers (FRNs). We selected six FRNs<sup>1</sup> of the funded 16 FRNs which represents \$7,523,029 of the funds committed and \$5,583,653 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2021 applications submitted by the selected Beneficiaries.

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<sup>1</sup> The FRNs included in the scope of this audit are: 2199023581, 2199026637, 2199028085, 2199029421, 2199039278, 2199039375



## Procedures

We performed procedures related to the E-Rate program, relative to amounts committed and received for Funding Year 2021, as of March 27, 2023. These procedures are enumerated below:

### A. Eligibility Process

We obtained an understanding of the Service Provider's processes and internal controls governing its participation in the E-Rate program. Specifically, we conducted inquiries of the Service Provider and the selected Beneficiary and examined documentation to determine whether controls existed to ensure services were eligible, delivered, and installed in accordance with the FCC Rules. We conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of the selected Beneficiaries' FCC Form 470.

### B. Competitive Bid Process

We conducted inquiries and examined documentation to determine whether the Service Provider participated in, or influenced, the selected Beneficiaries' competitive bidding process. We reviewed the Service Provider's contracts (if applicable) with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the equipment and services requested and purchased to determine whether the Service Provider provided the services requested in the selected Beneficiary's' FCC Form 471. We also examined documentation to determine whether the Service Provider offered the selected Beneficiaries the lowest corresponding price charged similarly situated non-residential customers for similar services.

### C. Billing Process

We reviewed the FCC Form 474 Service Provider Invoices (SPIs) Forms, for which payment was disbursed by USAC to determine whether the services identified on the forms, and corresponding service provider bills, were consistent with the terms and specifications of the Service Provider's contracts, and eligible in accordance with the E-Rate program Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to similarly situated non-residential customers for similar services. In addition, we examined documentation to determine whether the Service Provider billed the selected Beneficiaries for the non-discounted portion of eligible equipment and services purchased with universal service support and to confirm it did not provide rebates, including free services or products.

### D. Reimbursement Process

We obtained and examined the SPI Forms submitted for reimbursement for services delivered to the selected Beneficiaries and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed Service Provider bills associated with the SPI Forms for services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

**Attachment E**

**SL2022LR024**

Available For Public Use

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**DISTRICT OF COLUMBIA PUBLIC SCHOOLS**

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

**USAC AUDIT No. SL2022LR024**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
DISTRICT OF COLUMBIA PUBLIC SCHOOLS  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

**April 5, 2024**

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> (referred to as “we”) audited the compliance of District of Columbia Public Schools (Beneficiary), Billed Entity Number (BEN) 126340, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of Beneficiary management. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select service providers, 2) data used to calculate the discount percentage and the type and amount of services received, and 3) physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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<sup>1</sup> Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC”.

Based on the test work performed, our audit disclosed four detailed audit findings and one other matter, discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period. An “other matter” is a condition that does not necessarily constitute a violation of FCC Rules but that warrants the attention of the Beneficiary and USAC management.

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

### Audit Results and Recovery Action

Based on the test work performed, our audit found that the Beneficiary and its Service Providers did not comply with FCC Rules, as set forth in the four detailed audit findings and one other matter discussed below.

Audit Results	Monetary Effect	Recommended Recovery
<b>Finding No. 1, 47 C.F.R. § 54.511(a) (2020) – Failure to Comply with Competitive Bidding Requirements – Price Was Not the Primary Factor.</b> The Beneficiary erred in its bid evaluation and did not assign cost the highest weight in its award of a contract for Internet access services.	\$3,649,680	\$0
<b>Finding No. 2, 47 C.F.R. § 54.523 (2020) – Untimely Payment of the Beneficiary Non-Discount Share to the Service Provider.</b> The Beneficiary did not remit its non-discounted share for services received in a timely manner.	\$69,640	\$0
<b>Finding No. 3, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2020); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2020) - Service Provider Invoiced the E-Rate Program for Locations Not Requested and Approved on FCC Form 471.</b> The Service Provider invoiced for Basic Maintenance Internal Connections (BMIC) services to locations not requested by the Beneficiary.	\$9,429	\$9,429

Audit Results	Monetary Effect	Recommended Recovery
<b>Finding No. 4, Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) - Service Provider Invoiced the E-Rate Program for Services Not Provided.</b> The Service Provider invoiced for BMIC services that it did not deliver because the equipment was missing.	\$2,382	\$2,382
<b>Other Matter No. 1, 47 C.F.R. § 54.516(a)(1) (2020) – Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process.</b> The Beneficiary did not clearly and accurately document either its request for services or its bid evaluation when procuring BMIC services.	<u>\$0</u>	<u>\$0</u>
<b>Total Net Monetary Effect</b>	<b><u>\$3,731,131</u></b>	<b><u>\$11,811</u></b>

### USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC may review other FCC forms and documents filed by the Beneficiary and Service Provider during the audited Funding Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary and Service Provider provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Beneficiary and Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/learn/webinars/> (Filing the FCC Form 470 and the Competitive Bidding Process Webinar, August 25, 2022). Please see timestamps 22:25-24:25, 26:06-27:25, and 39:45-40:35.
- <https://www.usac.org/e-rate/applicant-process/invoicing/obligation-to-pay/>
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: Invoicing, November 09, 2023). Please see timestamps 8:55–11:15, 13:30–14:15, 23:40-25:10, and 56:50-58:35).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: Invoicing, November 09, 2023). Please see timestamps 8:55-11:15, 23:40-26:05, 29:05-30:30, and 56:50-58:35)
- <https://www.usac.org/e-rate/resources/document-retention/>

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

FRN	Recovery Amount
2099041242	\$11,811

## Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2020. The Beneficiary is a public school district located in the District of Columbia that serves more than 51,000 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2020 as of May 2, 2022, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$3,760,560	\$3,649,680
BMIC	\$788,732	\$661,065
<b>Total</b>	<b>\$4,549,292</b>	<b>\$4,310,745</b>

The “amount committed” total represents two FCC Form 471, *Description of Services Ordered and Certification Forms*, submitted by the Beneficiary for FY 2020 that resulted in two Funding Request Numbers (FRNs). We tested both FRNs<sup>2</sup> and performed the audit procedures enumerated below.

### A. Application Process

We obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We performed inquiries to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

### B. Competitive Bid Process

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) primarily considered the price of the eligible services in selecting the Service Provider. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC’s website before signing contracts with the selected Service Providers.

### C. Invoicing Process

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 474, SPI Forms, and corresponding

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<sup>2</sup> The two FRNs tested were 2099040594 and 2099041242.



Service Provider bills were consistent with the terms and specifications of the Service Provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

#### **D. Site Visit**

We performed a physical inventory to evaluate the location and use of equipment receiving BMIC services to determine whether the maintenance services were properly delivered, located in eligible facilities, and used in accordance with FCC Rules.

#### **E. Reimbursement Process**

We obtained and examined service invoices that the Service Providers submitted to USAC for reimbursement and performed procedures to determine whether the Service Providers had properly invoiced USAC. Specifically, we reviewed invoices associated with the SPI Forms for services provided to the Beneficiary. We verified that the services identified on the SPI Forms were consistent with the terms and specifications of the Service Provider agreements and were eligible in accordance with the E-Rate program Eligible Services List.

### **Detailed Audit Findings**

#### **Finding No. 1, 47 C.F.R. § 54.511(a) (2020) – Failure to Comply with Competitive Bidding Requirements – Price Was Not the Primary Factor**

##### **Condition**

The Beneficiary erred in its bid evaluation and did not assign cost the highest weight in its award of a contract for Internet access services. Specifically, in April 2017, the Beneficiary submitted an FCC Form 470 and a Request for Proposal (RFP) to obtain the fiber ethernet services funded by FRN 2099040594. The Beneficiary received two bids in response to its RFP: one from Verizon Business Network Services Inc. (Verizon) and the other from the incumbent Internet Service Provider, the Office of the Chief Technology Officer (OCTO), District of Columbia Government. The Beneficiary made the following errors when completing its bid evaluation matrix that caused it to award the contract to OCTO:

- **The Beneficiary overstated Verizon’s bid.** In calculating the estimated annual costs for Verizon’s bid,<sup>3</sup> the Beneficiary inappropriately used a Monthly Recurring Cost (MRC) of \$1,133<sup>4</sup> instead of the \$600 MRC proposed by Verizon for 1 GB ethernet transport service to 120 sites. As a result, the Beneficiary calculated Verizon’s base year bid cost as \$1,719,985, which was \$767,520 more than the \$952,465<sup>5</sup> that should have been compared with OCTO’s base year bid of \$4,245,600. Had the Beneficiary used accurate

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<sup>3</sup> The Beneficiary needed to calculate the annual cost for Verizon’s bid because Verizon’s total bid price was only for one month of services.

<sup>4</sup> Verizon had quoted an MRC of \$1,133 in its bid for 1 GB dedicated Internet access service to only 1 site, the Beneficiary’s Headquarters.

<sup>5</sup> Verizon’s pricing chart indicated that its proposed price did not include taxes, tariffs, and fees; however, the Beneficiary did not attempt to adjust for this in its evaluation.

bid amounts in completing its bid evaluation, Verizon would have been assigned a higher overall score, as follows:

**Auditor’s Recalculated Bid Evaluation**

Criteria	Weight	OCTO Score	Verizon Score
Recalculated <sup>6</sup> Cost of Eligible Services	35	6.41	28.59
Vendor Past Relationship	30	30	20
Coverage, Service, and K12 Experience	20	20	20
Continuity of Service	10	10	5
Quality & Clarity of Applicant Proposal	5	5	5
<b>Overall Score</b>	<b><u>100</u></b>	<b><u>71.41</u></b>	<b><u>78.59</u></b>

- The Beneficiary did not assign price the highest weight in scoring.** Although the Beneficiary’s bid evaluation template shows that the “Cost of Eligible Services” factor is the most heavily weighted criteria, the Beneficiary’s methodology for assigning scores does not result in price being the most heavily weighted factor. Specifically, although the template shows that bidders could earn up to 35 points for the “Cost of Eligible Services” factor (which is more than the amount available for each of the other four factors individually), the formula the Beneficiary used in assigning the “Cost of Eligible Services” scores<sup>7</sup> did not allow bidders to receive the full 35 points identified as available. Rather, the formula the Beneficiary used resulted in the 35 points being split between the two bidders, as follows:

- OCTO:  $35 - ((\$4,245,400/\$5,965,376)*35) = 10.09$
  - Verizon:  $35 - ((\$1,719,976/\$5,965,376)*35) = 24.91$

As the Beneficiary awarded each bidder up to the full number of points available for the other four criteria factors, price was not the most heavily weighted factor in practice, as required by FCC rules, as demonstrated in the table below:

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<sup>6</sup> We recalculated the assigned scores for “Cost of Eligible Services” by applying the same formula that the Beneficiary used in its bid evaluation: (Cost of Eligible Services Weight (35.0) minus (Bid Price/Bid Totals)\*Weighted Factor), as follows: OCTO:  $35 - ((\$4,245,400/\$5,197,856)*35) = 6.41$ ; Verizon:  $35 - ((\$952,456/\$5,197,856)*35) = 28.59$ .

<sup>7</sup> Cost of Eligible Services Weight (35.0) minus ((Bid Price/Bid Totals)\*Weighted Factor (35)).

## Beneficiary’s Original Bid Evaluation

Criteria	Weight	OCTO Score	Verizon Score	Total Points Available*	Total Points Awarded*
Cost of Eligible Services*	35	10.09	24.91	35	35
Vendor Past Relationship	30	30	20	60	50
Coverage, Service, and K12 Experience	20	20	20	40	40
Continuity of Service	10	10	5	20	15
Quality & Clarity of Applicant Proposal	5	5	5	10	10
<b>Overall Score</b>	<b>100</b>	<b>75.09</b>	<b>74.91</b>	<b>165</b>	<b>150</b>

\*We added these columns to show the total points available to, and awarded to, bidders for each score in the Beneficiary’s original evaluation.

Despite the error in the Beneficiary’s methodology, however, its response to this audit finding highlighted several deficiencies in the Verizon bid that made the bid non-responsive to many of the terms of the Beneficiary’s RFP. Those deficiencies justified the award of this contract to OCTO, and included, but were not necessarily limited to, the following:

- The Beneficiary’s solicitation requested pricing for one base year and four one-year option periods. Verizon’s bid, however, proposed only a three-year contract term.
- Verizon did not include the total cost of services in its pricing. Specifically, Verizon’s bid pricing sheets stated that its prices did not include any additional charges that might be required for special construction, nor did the prices include taxes and/or any other surcharges.
- Verizon’s calculation of annual costs contained math errors and thus did not include the price of Internet access services for twelve months.

We considered these deficiencies and agree that Verizon’s bid was not fully responsive to the Beneficiary’s RFP. Thus, despite the errors in the Beneficiary’s methodology that resulted in it inappropriately calculating Verizon’s MRC and not treating price as the most heavily weighted factor in the Beneficiary’s bid evaluation process, it did select the most responsive and cost-effective bidder (OCTO) for its RFP.

### Cause

The Beneficiary did not have policies and procedures sufficient to ensure that it accurately evaluated bids and complied with FCC Rules regarding competitive bidding.

### Effect

The monetary effect of this finding is \$3,649,680, the total amount that USAC disbursed for FY 2020 services under this contract. However, because the Beneficiary awarded the contract to the most responsive and cost-effective bidder for the RFP, we do not recommend that USAC recover these funds.

Support Type	Monetary Effect	Recommended Recovery
Data Transmission and/or Internet Access FRN 2099040594	<u>\$3,649,680</u>	<u>\$0</u>
<b>Total</b>	<b><u>\$3,649,680</u></b>	<b><u>\$0</u></b>

**Recommendation**

We recommend that the Beneficiary implement policies and procedures to ensure that it accurately performs bid evaluations and complies with FCC Rules regarding competitive bidding.

**Beneficiary Response**

*DCPS’s goal, every day, is to serve the 50,000+ students who attend public schools in the District, a population where almost 80 percent of students are eligible for free and reduced prices meals. Part of that goal is serving as good stewards of public funds. As indicated above, DCPS takes this responsibility very seriously, and thoroughly evaluate bids received in response to this solicitation. In doing so, DCPS discovered significant shortcomings and concerns with the Verizon bid, worked in good faith to make adjustments so that the bid could be considered fully, and determined that another bidder would be the most cost-effective provider of the requested services.*

*DCPS maintains that we awarded the contract for Internet services to the most cost-effective provider using price as the primary factor in our evaluation pursuant to 47 C.F.R § 54.511, and thus we complied with FCC Rules in vendor selection.*

*DCPS agrees with Auditor’s conclusion that the appropriate vendor was selected and recommendation of a \$0 recovery. The potential recovery of the E-Rate discount, totaling \$3,649,680, for services provided would not only be devastating to DCPS’s ability to fulfill its mission, but would also discourage future thorough reviews of submitted bids—something that is vital to protecting public funds in accordance with the District’s competitive bidding rules. We are encouraged that Auditor recognizes that such a recommendation is not warranted here.*

*In addition, since the time of this bid evaluation in 2017, DCPS has made improvements to the agency’s competitive bidding processes to further ensure policies and procedures are followed and documented appropriately. DCPS appreciates Auditors recommendation and will continue to evaluate systems to make any necessary improvements.*

***I. DCPS ACCURATELY EVALUATED BOTH THE VERIZON AND DC-NET BIDS AND SELECTED THE MOST COST EFFECTIVE BID***

DCPS accurately evaluated the bids it received from Verizon and DC-Net in response to its solicitation for Internet services. The bid from DC-Net provided all of the information requested. The Verizon bid had significant deficiencies including:<sup>8</sup>

1. The bid was not for the length of time required by the solicitation; and
2. The prices provided were material misrepresentations of cost and could not be credibly relied upon.
  - A. The calculation sheet contained inaccurate pricing for providing services to schools; and
  - B. As admitted by Verizon, the prices provided did not include all necessary costs.

Auditor acknowledges that DCPS “needed to calculate the annual cost for Verizon’s bid because Verizon’s total bid price was only for one month of service” but neglects to consider how this inaccurate bid should be viewed as part of any legitimate competitive bidding process. This, and other substantial material deficiencies of the Verizon bid as delineated herein, made the bid price highly questionable, such that DCPS would have been derelict in its duty to thoroughly evaluate bids and make competitive bidding decisions in the best interest of the District if it had accepted the Verizon bid as submitted.

**A. Verizon did not meet the terms of the solicitation**

Respondents to the solicitation were asked to submit pricing for 5 (five) years of service.<sup>9</sup> Verizon submitted pricing for the Base Year, Option Year 1, and Option Year 2. Verizon elected not to provide pricing for Option Years 3 and 4, per the DCPS RFP, a time period that covers 40% of the overall contract period. The finding suggests that DCPS should have entered into a contract for fewer years of service than it needed, with faith that Verizon would want to provide the remaining two years of service at a reasonable price. There is no authority for Auditor to make this determination, nor any authority to conclude that DCPS violated FCC regulations in not selecting a Vendor who could not meet its Request for Proposal (RFP) requirements.

**B. Verizon’s prices could not be credibly relied upon**

As stated, Verizon’s prices were not provided in all necessary aspects of the bid. The bid also contained material misrepresentations of cost where prices were provided. Verizon’s bid sheet listed the total price of providing services to 120 schools for 12 months for each of the three years for which pricing was submitted as \$72,000. This calculation was inaccurate based on the figures Verizon itself provided. Building upon this calculation, Verizon listed total price for the Base Year at \$160,456.08, when it should have been listed as \$956,456.08 (120 [number of sites] x 600 [monthly recurring cost] x 12 [quantity] + \$13,596 [dedicated internet access for headquarters] + \$78,860.08 [dedicated internet access for all other sites]). This is a fact Auditor acknowledges but, in DCPS’ opinion, does not recognize as the vitally material fact that it is.

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<sup>8</sup> See Verizon’s pricing sheet.

<sup>9</sup> Id.

*Without careful review and actual calculation by DCPS during the review process, this pricing issue would not have been discovered. This is exactly the thorough review of contract proposals vital to protecting public funds.*

*DCPS would have been justified in deeming the Verizon bid nonresponsive and removing it from consideration altogether, the conclusion Auditor ultimately comes to. DCPS, erring on the side of caution in reviewing the bid, identified the discrepancies and attempted to account for the irregularities in the Verizon price proposal. Thus, DCPS chose to use the higher of the two monthly fees quoted by Verizon and calculated a price based upon the \$1,133 amount Verizon quoted for DCPS Headquarters. Taking the accuracy of the \$1,133 price provided at face value, despite the misrepresentation, was a reasonable approach for DCPS to take because it was the only other number Verizon accurately calculated for site service. It is also unfeasible that the cost to provide services for school sites with more users than at the DCPS Headquarters location would be almost half the price; yet that is what Verizon presented to DCPS. DCPS has the right to estimate costs for a service since the information provided by Verizon was not clear or accurate. Thus, DCPS disagrees that we “overstated” or “inappropriately” calculated Verizon’s bid. Auditor does not acknowledge that had Verizon submitted an accurate bid, there would have been no need for DCPS to attempt to rehabilitate it, and instead concludes that DCPS “overstated Verizon’s bid.”*

### ***C. Verizon’s bid admittedly did not include all necessary costs to provide service***

*The price quoted by Verizon did not include special construction charges, nor other taxes and fees, a fact that Verizon itself acknowledged in its bid.<sup>10</sup> Verizon also asserted that the special construction costs could be added later when the service contract was finalized.<sup>11</sup> Specifically, on page 4 of Verizon’s pricing sheet as part of its bid submission, Verizon stated that: 1) the pricing was budgetary only; 2) additional charges may be required for special construction for services; and 3) the prices did not include taxes, tax-related surcharges, “other charges”, or other charges published in the tariffs and/or guide. Auditor does not consider the potential impact of the aforementioned Verizon admissions on the Verizon bid and ultimately concludes that DCPS “did not assign price the highest weight in scoring to the highest,”[sic] a conclusion with which DCPS strongly disagrees. As per Auditor “Verizon’s pricing chart indicated that its proposed price did not include taxes, tariffs, and fees; however, the Beneficiary did not attempt to adjust for this in its evaluation. DCPS disagrees with the assertion that we should have created a price for taxes, tariffs, and fees Verizon would have charged the school district without any costs provided by Verizon upon which to base that number. Not only does DCPS have no duty to do so, we maintain that it would have been irresponsible. This is distinguishable from the monthly fee issue previously described in Part B because Verizon at least provided costs which DCPS could utilize in correctly recalculating its bid.*

*Nonetheless, pricing for these additional and significant costs were not accounted for in Verizon’s bid. Because Verizon did not include these costs in its pricing, it is unreasonable to*

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

*speculate how these additional costs would have impacted Verizon’s ultimate bid price. DCPS would have been remiss in its contracting duty, including those pursuant to the Anti-Deficiency Act, D.C. Official Code § 47-355.01, et seq., to not account for these additional costs in evaluating competing bids.*

*In order to properly evaluate cost-effectiveness, DCPS has a responsibility to estimate the true cost of a service. Government has acknowledged circumstances in which a vendor may quote unrealistic prices to win a bid with no intention of honoring the quoted price. Most recently as reported on July 21, 2023, after conducting an investigation that began in 2017, the Department of Justice secured a \$377 million settlement from Booz Allen Hamilton who was accused of submitting government bids with low pricing and then drastically increasing costs once contracts were approved. While DCPS does not allege that Verizon was engaged in this practice, Verizon’s bid was not for the full length of the requested contract term, Verizon acknowledged that its cost calculation did not include a number of other fees and could increase, and—perhaps most importantly—the bid information provided was not accurate on its face. Therefore, by selecting DC-Net, DCPS complied with FCC competitive bidding requirements.*

#### ***D. Neither FCC’s Competitive Bidding Regulations nor Order Substantiates the Auditor’s Finding***

*DCPS had no duty to reduce the bid to its lowest conceivable amount under either the FCC’s or District’s competitive bidding rules. As a government agency, DCPS has a duty to make competitive bidding decisions in the best interest of the District. In calculating Verizon’s score, DCPS attempted in good faith to resolve multiple errors in Verizon’s bid and allow Verizon to compete. This is not a violation of the E-Rate regulations.*

*The finding suggests that because Auditor would have resolved errors and omissions of material terms in Verizon’s bid differently than DCPS did, DCPS’ recalculation was inaccurate. The Auditor cites no authority to justify its recalculation of what it believes Verizon intended to bid four years ago, or that DCPS violated FCC regulations in its scoring or rehabilitation of Verizon’s deficient bid to support a competitive process. DCPS maintains that this action is not supported by the FCC. In fact, the FCC has declined to issue the kind of prescriptive regulations that would be necessary to support Auditor’s position.*

*While 47 C.F.R. § 54.503(a) requires that “all entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart,” the regulation declines to provide comprehensive competitive bidding regulations. Rather, 47 C.F.R. § 54.503(b) states that the competitive bidding requirements listed “**apply in addition** to state and local competitive bid requirements and **are not intended to preempt** such state or local requirements [emphasis added].”*

*As the FCC left these determinations to local competitive bidding laws and regulations, the District’s rules would govern. There is no District law or regulation that would require the award of the bid to Verizon based on these facts.*

## **II. DCPS ENSURED THAT PRICE WAS THE PRIMARY FACTOR CONSIDERED**

*DCPS maintains that it complied with 47 C.F.R § 54.511(a). In DCPS' bid evaluation, the price of eligible services was given the greatest consideration and was the primary factor considered. Moreover, DCPS selected the most cost-effective service offering.*

*As shown on the evaluation sheet 1) the highest percent weight available (35) was in the cost of eligible services" (price) category, and 2) the most amount of points awarded to a vendor applicant (24.91 to Verizon) was in the price category. The audit finding appears to focus significantly on the allocation methodology of the 35 points for cost. Additionally, the Auditor unilaterally changed DCPS' evaluation scale from 100 percent scale to 165 point and doubled certain weight categories while leaving one the same in its chart labeled "Beneficiary's Bid Evaluation." DCPS has the authority to determine how elevation factors are weighed, including how points are allocated as long as it does so in alignment with FCC E-Rate program regulations which, in this case, it did. There is no FCC rule that dictates how a beneficiary must distribute its points within a particular category. In the DCPS bid evaluation, the price for eligible services was given the greatest consideration and was the primary factor considered. In fact, as the lowest priced bidder, Verizon received more than double the points as DC-Net in the price category, despite the concerns outlined in detail above, further demonstrating that price was the primary factor considered. Thus, DCPS complied with FCC competitive bidding requirements. DCPS disagrees with Auditors determination that "[t]he Beneficiary did not assign cost the highest weight in its award of a contract for Internet access services."*

*As has been demonstrated above, pre-discount price was the primary factor considered by DCPS both in structure and in practice and DCPS selected the most cost-effective bid. As a result, DCPS disagrees with Auditor's conclusion that price was not the most heavily weighted factor.*

*DCPS agrees with Auditor's conclusion that Verizon's bid was not responsive to the RFP and recommendation of \$0 recovery.*

### **Auditor Response**

We address DCPS' response as follows:

- **DCPS contends that it accurately evaluated the bids, and the Verizon bid had serious deficiencies.** We do not agree that DCPS accurately evaluated the bids. Verizon's bid error was that it did not properly calculate the annual cost of its proposed prices. It neglected to multiply the MRC by 12 months, thus understating the annual cost. However, the price for service to each site was clearly stated, and DCPS should have used those prices in its evaluation. Instead, DCPS applied the highest price from Verizon's bid to all locations, even though the bid clearly showed that the \$1,133 MRC for 1 GB dedicated internet access service was applicable to only one location, while the MRC for this service to the other 120 locations was \$600.



- **DCPS states that it ensured that price was the primary factor considered.** DCPS contends that, because price of eligible services was awarded the highest weight, then it was the primary factor considered. Price was identified as having the most weight in the template, however, in its scoring of price, DCPS allocated the 35 points available between the two bidders, rather than allowing each bidder to earn up to 35 points (as it had for each of the other evaluation factors), so price was not the primary factor. DCPS' bid evaluation shows that higher total points were awarded to the bidders for two other factors: "Vendor Past Relationship" (50 total points awarded) and "Coverage, Service, and K12 Experience" (40 total points awarded).

However, as described above, we considered the Verizon bid deficiencies detailed in the Beneficiary's response and concluded that the Beneficiary selected the most responsive and cost-effective bidder. For this reason, we removed our recommendation that USAC recover all funds disbursed for this FRN.

**Finding No. 2, 47 C.F.R. § 54.523 (2020) – Untimely Payment of the Beneficiary Non-Discount Share to the Service Provider**

**Condition**

The Beneficiary did not remit its non-discounted share for services received under FRN 2099040594 in a timely manner.<sup>12</sup> Specifically, the Service Provider, OCTO, billed the Beneficiary monthly for recurring Internet access services between August 2020 and July 2021. However, the Beneficiary made one lump-sum payment to OCTO for these services on December 30, 2020. As a result, the Beneficiary did not pay the July and August bills within 90 days of receiving the services which had bill dates of August 4, 2020, and September 4, 2020, respectively.

**Cause**

The Beneficiary stated that its process is to make one lump-sum payment to OCTO for the entire year's services. The Beneficiary further noted that it paid its annual portion of the billing based on provisions in its contract with OCTO, which states that the Beneficiary will pay its non-discounted share to OCTO based on the approved Funding Commitment Decision Letter (FCDL). However, USAC issued the FCDL on May 9, 2020, prior to the date that the services were provided.

Although the Beneficiary complied with the contract terms, it did not have policies and procedures in place to ensure that it paid the Service Provider timely, in accordance with USAC rules.

**Effect**

The monetary effect of this finding is \$69,640 for the two bills the Beneficiary did not pay within the required 90-day period. There is no recommended USAC recovery for this finding, as the

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<sup>12</sup> See also Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816, FCC 04-190, at para. 24 (2004).

Beneficiary has paid its non-discounted share for the services. However, by not making payments in a timely manner, the Beneficiary is at an increased risk of failing to pay its non-discounted share.

Support Type	Monetary Effect	Recommended Recovery
Data Transmission and/or Internet Access FRN 2099040594	<u>\$69,640</u>	<u>\$0</u>
<b>Total</b>	<b><u>\$69,640</u></b>	<b><u>\$0</u></b>

**Recommendation**

We recommend that the Beneficiary establish and implement internal control policies and procedures to ensure that it pays Service Providers within 90 days after completion of service.

**Beneficiary Response**

*DCPS accepts this finding and will work to secure timely payments.*

**Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) - Service Provider Invoiced the E-Rate Program for Locations Not Requested and Approved on FCC Form 471**

**Condition**

The Beneficiary’s fixed asset listings (FALs) for BMIC services funded by FRN 2099041242 included two schools that were not included as recipients on the Beneficiary’s FCC Form 471. The Service Provider thus invoiced the E-Rate program on its SPI Forms for maintenance costs related to locations neither approved on the Beneficiary's FCC Form 471 nor approved in USAC’s FCDL. As a result, the Service Provider over-invoiced the E-Rate program by \$9,429 (\$11,093 multiplied by the Beneficiary’s 85 percent discount rate).

Entity Number	Amount Requested on FCC Form 471 (A)	Invoiced Cost of Equipment* (B)	Amount by Which Cost Exceeds Amount Requested on Form 471 (B-A)
21747	\$0	\$8,324	\$8,324
16070698	<u>\$0</u>	<u>\$2,769</u>	<u>\$2,769</u>
<b>Total</b>	<b><u>\$0</u></b>	<b><u>\$11,093</u></b>	<b><u>\$11,093</u></b>

\*Invoiced costs are net of amounts USAC removed as ineligible in its review of the SPI.

**Cause**

The Beneficiary removed these locations from its FCC Form 471 funding request because the schools’ Category 2 budgets had already been fully utilized. However, the Service Provider did not remove the equipment for these locations from the FAL, which was the basis for its BMIC billings.

**Effect**

The total monetary effect of this finding is \$9,429 (\$11,093 multiplied by the Beneficiary’s 85 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
BMIC FRN 2099041242	\$9,429	\$9,429
<b>Total</b>	<b>\$9,429</b>	<b>\$9,429</b>

**Recommendations**

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary implement controls and procedures to ensure that Category Two funds are used only for approved, eligible services that are requested on the FCC Form 471 and approved and committed in an FCDL.
3. The Service Provider only invoice the E-Rate program for approved, eligible services to locations that are requested on the Beneficiary’s FCC Form 471 and approved and committed in an FCDL.

**Beneficiary Response**

*DCPS agrees that the sites listed above were removed from the list of recipients of service during the Program Integrity Assurance (PIA) process due to the locations being over their C2 budget allocations; however, it disagrees with the recovery amount identified.*

*During the reimbursement process, USAC reviewed the SPI submitted by the service provider and additional ineligible charges were removed prior to disbursement to account for those locations. Based on those adjustments, Stanton Elementary School (21747) would have only exceeded its C2 remaining budget by \$6,212.96 and Capitol Hill Montessori at Logan (16070698) by \$426.67. The adjusted difference would be \$5,643.69, rather than \$9,429.<sup>13</sup>*

**Service Provider Response**

*We work with the Beneficiary and their vendor Funds for Learning and depend on them to provide accurate information. If we were made aware of the causes listed in this letter we would not have invoiced for those items. We agree with the recommendations provided below. [sic]*

**Auditor Response**

Although the Beneficiary believes that it had previously removed ineligible charges, we believe the ineligible costs for this finding are appropriate based on USAC disbursements. Specifically,

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<sup>13</sup> This is 85% of the total monetary amount of \$6,639.63.

the amounts recommended for recovery exclude amounts USAC removed in its review of the SPI, as follows:

- The Service Provider invoiced USAC \$10,252.80 for equipment serviced at Stanton Elementary School, but USAC only paid the discount share of eligible costs of \$8,323.88 for these services.
- The Service Provider invoiced USAC \$3,418.39 for equipment serviced at Capitol Hill Montessori but USAC only paid the discount share of eligible costs of \$2,768.89 for these services.

We added a note to the Condition to clarify that the finding amounts were based on USAC disbursements but made no other changes to the finding.

**Finding No. 4, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) - Service Provider Invoiced the E-Rate Program for Services Not Provided**

**Condition**

The Service Provider invoiced the E-Rate program for BMIC that included service charges for several items of equipment that were missing.<sup>14</sup> Specifically, the Service Provider billed at an annual cost per item based on the Beneficiary's FAL identifying the location for each piece of equipment it maintained for services funded under FRN 2099041242. The FAL for one Beneficiary school, Coolidge High School, included four items that were not located in the school and thus would not have been maintained in FY 2020. Therefore, the Service Provider invoiced the E-Rate program on its SPI Forms for maintenance costs it did not deliver to the Beneficiary at that location.

**Cause**

The Beneficiary had removed the four items and stored them in a warehouse during its 2019 modernization efforts.<sup>15</sup> The Beneficiary stated that, due to the renovation, it had a short timeframe for removing and replacing the equipment in Coolidge High School. As a result, it was unable to adequately document the location for each piece of equipment and the FAL that the Service Provider used to bill for its services was not updated.

**Effect**

The Service Provider invoiced USAC for the four missing items at a total eligible cost of \$2,802. As a result, the monetary effect of this finding is \$2,382 (\$2,802 multiplied by the Beneficiary's 85 percent discount rate).

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<sup>14</sup> See also 47 C.F.R. § 54.516(a) (2020).

<sup>15</sup> The Beneficiary's FY 2020 Category 2 funding was only for BMIC services. Because the maintained equipment was acquired in a prior FY, testing to determine whether the Beneficiary complied with FCC Rules regarding equipment transfers was outside the scope of our audit.

Support Type	Monetary Effect	Recommended Recovery
BMIC FRN 2099041242	\$2,382	\$2,382
<b>Total</b>	<b>\$2,382</b>	<b>\$2,382</b>

**Recommendations**

We recommend that:

1. USAC management seek recovery of the amount identified in the Effect section above.
2. The Beneficiary implement procedures to ensure that it complies with FCC Rules regarding the accuracy of FALs.
3. The Service Provider only invoice USAC for approved, eligible services delivered to the Beneficiary.

**Beneficiary Response**

*DCPS agrees in part and disagrees in part. Auditor states USAC was over-invoiced for six missing items. Two of the six items were relocated to other eligible entities within DCPS and those entities were covered by the service agreement. The other four items were discontinued.*

*The monetary impact of the four discontinued items is \$3,297.02, making the adjusted difference \$2,802.47.*

**Service Provider Response**

*We work with the Beneficiary and their vendor Funds for Learning and depend on them to provide accurate information. If we were made aware of the causes listed in this letter we would not have invoiced for those items. We agree with the recommendations provided below.*

**Auditor Response**

We revised our finding to remove the cost of BMIC services for the two items of equipment moved to eligible entities.

**Other Matter No. 1, 47 C.F.R. § 54.516(a)(1) (2020) – Lack of Documentation – Beneficiary Did Not Substantiate the Competitive Bidding Process**

**Condition**

The Beneficiary did not clearly and accurately document either its request for services or its bid evaluation when procuring BMIC services under FRN 2099041242.<sup>16</sup> Specifically, the Beneficiary issued a pricing sheet for bidders as part of its RFP. However, the quantities identified in the pricing sheet differed from the quantities identified in the inventory listing provided in the RFP document. This caused confusion among the bidders and, as a result, the bid

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<sup>16</sup> See also 47 C.F.R. § 54.503(c)(i), (ii) (2020).

prices were not based on like quantities, which is necessary to ensure accurate comparison and evaluation. We analyzed each individual bid based on the quantities identified in the RFP pricing sheet and verified that the Beneficiary awarded the BMIC contract to the lowest bidder. However, this was not evident based on the Beneficiary’s bid evaluation documents. In addition, the RFP did not provide clear scoring criteria for evaluation factors other than pricing, and the Beneficiary was unable to either demonstrate how it developed individual scores for the other factors or provide documentation of the evaluation process beyond its inaccurate price comparison.

**Cause**

The Beneficiary did not have sufficient policies and procedures in place to ensure that it issued clear RFP documentation and did not retain documentation to support how it scored all of the factors identified in the RFP.

**Effect**

Without clear guidance for potential bidders and a documented bid evaluation process in place, the Beneficiary is at increased risk of not obtaining the most cost-effective pricing.

**Recommendation**

We recommend that the Beneficiary implement policies and procedures to properly document its RFPs and its bid evaluation process.

**Beneficiary Response**

*DCPS had policies and procedures in place to properly execute and document the BMIC RFP evaluation process. The Form 470 and RFP used for Funding Year 2020 were released and the evaluation was done during calendar year 2017. Since that time, there have been improvements made to the agency’s competitive bidding processes to further ensure policies and procedures are accurately followed and all required documentation is maintained.*

**Criteria**

Finding/Other Matter	Criteria	Description
Finding 1	47 C.F.R. §54.511 (2020)	<i>(a) Selecting a provider of eligible services. Except as exempted in § 54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.</i>
Finding 2	47 C.F.R. §54.523 (2020)	<i>An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible</i>

Finding/Other Matter	Criteria	Description
		<p><i>school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.</i></p>
Finding 2	<p>Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd. 15808, 15816, FCC 04-190, at para. 24 (2004)</p>	<p><i>While [the FCC’s] rules do not set forth a specific timeframe for determining when a beneficiary has failed to pay its non-discounted share, [the FCC] conclude[s] that a reasonable timeframe is 90 days after delivery of service. Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of [the] rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services... Accordingly, [the FCC clarified] prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates [the] rule that the beneficiary must pay its share.</i></p>
Findings 3, 4	<p>FCC Form 473, SPAC Form at Block 2 (2020)</p>	<p><i>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for services which have been billed to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i></p> <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not yet issued a reimbursement decision.</i></p> <p><i>11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i></p>

Finding/Other Matter	Criteria	Description
Findings 3, 4	FCC Form 474 SPI Form at Block 3 (2020)	<p><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i></p>
Finding 4, Other Matter 1	47 C.F.R. § 54.516(a) (2020)	<p><i>Recordkeeping requirements -</i></p> <p><i>(1) Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.</i></p>
Other Matter 1	47 C.F.R. § 54.503(c)(i), (ii) (2020)	<p><i>Posting of FCC Form 470. (1) An eligible school, library, or consortium that includes an eligible school or library seeking bids for eligible services under this subpart shall submit a completed FCC Form 470 to the Administrator to initiate the competitive bidding process. The FCC Form 470 and any request for proposal cited in the FCC Form 470 shall include, at a minimum, the following information: (i) A list of specified services for which the school, library, or consortium requests bids; (ii) Sufficient information to enable bidders to reasonably determine the needs of the applicant...</i></p>

***Sikich CPA LLC***



*Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: August 2024.*

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
<p><b>Attachment F</b> Litchfield Elementary School District #79</p>	<p>3</p>	<ul style="list-style-type: none"> <li>• <b><u>Lack of Documentation – Beneficiary Did Not Demonstrate It Conducted a Fair and Open Competitive Bidding Process and Selected the Most Cost-Effective Service Provider:</u></b> The Beneficiary did not provide documentation to support its bid evaluation; thus, the Beneficiary did not demonstrate that it conducted a fair and open competitive bidding process and selected the most cost-effective service provider using the price of eligible equipment and services as the primary factor.</li> <li>• <b><u>Failure to Execute a Contract/Other Legally Binding Agreement Prior to Submission of the FCC</u></b></li> </ul>	<p>\$320,246</p>	<p>\$314,226</p>	<p>\$211,579</p>	<p>\$211,579</p>	<p>Partial</p>

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
		<b>Form 471:</b> The Beneficiary did not provide the original evaluation documents, or a legally binding document executed prior to the Beneficiary filing the FCC Form 471.					
<b>Total</b>	<b>3</b>		<b>\$320,246</b>	<b>\$314,226</b>	<b>\$211,579</b>	<b>\$211,579</b>	

**Attachment F**

**SL2022LR005**

Available For Public Use

# Litchfield Elementary School District #79

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2022LR005

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## EXECUTIVE SUMMARY

November 6, 2023

Dr. Carter Davidson, Superintendent  
Litchfield Elementary School District #79  
272 E. Sagebrush St.  
Litchfield Park, AZ 85340-4934

Dear Dr. Davidson:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Litchfield Elementary School District #79 (Beneficiary or Applicant), Billed Entity Number (BEN) 142996, using regulations and orders governing the Federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of 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 competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed three detailed audit findings (Findings) discussed in the Audit Results and Commitment Adjustment/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.

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

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

Sincerely,



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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division

## AUDIT RESULTS AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Results	Monetary Effect (A)	Overlapping Recovery <sup>1</sup>	Recommended Recovery (A) - (B)	Recommended Commitment Adjustment
<b>Finding #1: 47 C.F.R. § 54.516(a)(1), (b), § 54.511(a)(2019) – Lack of Documentation – Beneficiary Did Not Demonstrate It Conducted a Fair and Open Competitive Bidding Process and Selected the Most Cost-Effective Service Provider.</b> The Beneficiary did not provide the documentation to support its bid evaluation; thus, the Beneficiary did not demonstrate that it conducted a fair and open competitive bidding process and selected the most cost-effective service provider using the price of eligible equipment and services as the primary factor.	\$202,932	\$0	\$202,932	\$202,932
<b>Finding #2: 47 C.F.R. § 54.516(a)(1), § 54.504(a) - Failure to Execute a Contract/Other Legally Binding Agreement Prior to Submission of the FCC Form 471.</b> The Beneficiary was not able to locate the original evaluation documents or any other legally binding document executed prior to the Beneficiary filing the FCC Form 471.	\$102,647	\$102,647	\$0	\$0
<b>Finding #3: FCC Form 472, at Block 3 - Beneficiary Invoiced E-Rate Program for Amounts Not Reconciled to Service Provider Bills.</b> The Beneficiary invoiced the E-Rate program for services not received/supported by the service provider bills.	\$8,647	\$0	\$8,647	\$8,647
<b>Total Net Monetary Effect</b>	<b>\$314,226</b>	<b>\$102,647</b>	<b>\$211,579</b>	<b>\$211,579</b>

<sup>1</sup> If a finding is subsequently waived via appeal, any overlapping recovery with that finding will be recovered with the remaining findings.



## USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC will request the Applicant provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Applicant to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/applicant-process/competitive-bidding/>
- <https://www.usac.org/e-rate/applicant-process/selecting-service-providers/contracts/>
- <https://www.usac.org/e-rate/applicant-process/invoicing/>
- <https://www.usac.org/e-rate/learn/webinars> (E-Rate Fall Training: Invoicing, November 09, 2023)

USAC records show the Applicant is currently subscribed to the E-Rate News Brief. USAC encourages the Applicant to review the News Brief as it contains valuable information about the E-Rate Program.

FRN	Recovery Amount
2099065407	\$102,647
2099065312	\$47,988
2099065279	\$31,423
2099065252	\$20,874
2099085653	\$8,647

## PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$127,323	\$117,315
Internal Connections	\$202,932	\$202,931
<b>Total</b>	<b>\$330,255</b>	<b>\$320,246</b>

*Note:* The amounts committed and disbursed reflect funding year activity as of the commencement of the audit.

The committed total represents six FCC Form 471 applications with seven Funding Request Numbers (FRNs). AAD selected three of the seven FRNs,<sup>2</sup> which represent \$251,585 of the funds committed and disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the Beneficiary.

## BACKGROUND

The Beneficiary is a School District located in Litchfield Park, Arizona that serves over 12,000 students.

## PROCEDURES

AAD performed the following procedures:

### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, AAD examined documentation to determine if it supported the effective use of funding and demonstrated that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation in a limited review to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

### B. Competitive Bidding Process

AAD obtained and examined documentation to determine whether all bids received were properly evaluated and the price of the eligible equipment and services was the primary factor considered. AAD also obtained and examined evidence<sup>2</sup> that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with the selected Service Providers.

### C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) Forms and corresponding Service Providers bills were consistent with the terms and specifications of the Service Provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

### D. Site Visit

AAD performed a physical inventory to evaluate the location and use of equipment and services to determine whether they were delivered and installed, located in eligible facilities, and utilized in accordance with the FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to

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<sup>2</sup> The FRNs included in the scope of this audit are: 2099065312, 2099085653, and 2099065407. FRN's 2099065252, 2099065279, 2099065144, and 2099087327 were added to expand the scope of the Competitive Bidding testing based on initial testing results. See Finding #1 for more information.

support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

**E. Reimbursement Process**

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the BEAR Forms for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the BEAR Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and eligible in accordance with the E-Rate Eligible Services List.

## DETAILED AUDIT FINDINGS

**Finding #1:** 47 C.F.R. § 54.516(a)(1), (b) §54.511(a)(2019) – Lack of Documentation – Beneficiary Did Not Demonstrate It Conducted a Fair and Open Competitive Bidding Process and Selected the Most Cost-Effective Service Provider

### CONDITION

AAD requested documentation to determine whether the competitive bidding process undertaken to select the Beneficiary's Service Providers was fair and open, to determine whether all bids were considered, and to determine whether the Beneficiary selected the most cost-effective Service Provider using the price of eligible equipment and services as the primary factor for FRNs 2099065312, 2099065407, 2099065252, and 2099065279.<sup>3</sup> AAD's request for documentation included, but was not limited to, copies of bids received (winning and losing), bid evaluation matrices, bid evaluation meeting notes, and contracts or agreements executed with the Service Providers.

In response to AAD's request for documentation, the Beneficiary provided copies of bids received, purchase orders or agreements executed with the Service Providers, the March 23, 2023, regenerated bid evaluation document for FRNs 2099065312 and 2099065407, and the July 10, 2023, regenerated bid evaluation document for FRNs 2099065252 and 2099065279. The Beneficiary did not provide the bid evaluation matrices and related bid evaluation notes to demonstrate that the Beneficiary undertook and complied with the competitive bidding requirements during the Service Provider selection period. During its initial review, AAD also noted that the Beneficiary disqualified the lowest bidder for FRNs 2099065252 and 2099065279, but the original documentation regarding the disqualification was unavailable for AAD verification.

AAD is required to conduct its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS),<sup>4</sup> which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.<sup>5</sup> Because the Beneficiary did not provide original competitive bidding documentation, including the bid evaluation matrix, evaluator sign off sheet, and support/explanations for bids that were disqualified, AAD concludes that the Beneficiary did not demonstrate that it conducted a fair and open competitive bidding process,<sup>6</sup> and selected the most cost-effective service provider using the price of eligible equipment and services as the primary factor,<sup>7</sup> in accordance with the FCC Rules.

### CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules governing document retention. In addition, the Beneficiary did not have adequate controls and procedures in place to ensure the retention of all documents required to demonstrate compliance with the statutory and/or regulatory requirements for all E-

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<sup>3</sup> Subsequent to the Audit Announcement Letter and during testing, AAD expanded its audit scope to include FRNs 2099065252, 2099065279, 2099065144, and 2099087327 for competitive bidding testing only, based on its initial audit testing results. FRNs 2099065144 and 2099087327 are not included in the Finding, as acceptable competitive bidding documentation was provided for those FRNs.

<sup>4</sup> 47 C.F.R. § 54.702(n) (2019).

<sup>5</sup> See U.S. Government Accountability Office, *Government Auditing Standards*, GAO-21-368G, para. 9.47 (Rev. Apr. 2021).

<sup>6</sup> 47 C.F.R. § 54.503(a) (2019).

<sup>7</sup> 47 C.F.R. § 54.511(a) (2019).

Rate program purchases of service and equipment for a period of 10 years. The Beneficiary informed AAD that it has been unable to locate its original competitive bidding evaluation documents.<sup>8</sup>

**EFFECT**

The monetary effect of this finding is \$202,932. This amount represents the total amounts committed and disbursed by the E-Rate program for the FRNs listed below:

<b>FRNs</b>	<b>Amount Committed</b>	<b>Amount Disbursed</b>	<b>Downward Commitment Adjustments</b>
2099065407	\$102,647	\$102,647	\$102,647
2099065312	\$47,988	\$47,988	\$47,988
2099065279	\$31,423	\$31,423	\$31,423
2099065252	\$20,874	\$20,874	\$20,874
<b>Total</b>	<b>\$202,932</b>	<b>\$202,932</b>	<b>\$202,932</b>

**RECOMMENDATION**

AAD recommends that USAC management seek recovery of \$202,932 from the Beneficiary and issue a downward commitment adjustment for the FRNs as noted in the Effect section above.

The Beneficiary must implement policies, controls, and procedures to ensure that it retains all documentation related to the application for, receipt, and delivery of E-Rate-supported services and any other documentation that demonstrates compliance with the statutory and regulatory E-Rate program requirements for at least ten years, as required by the FCC Rules. The Beneficiary must also be able to produce such records upon request by USAC or the FCC.<sup>9</sup> Specifically, the Beneficiary must document its competitive bidding process and retain all documentation of the process per FCC Rules. The Beneficiary may learn more about the Competitive Bidding Process at <https://www.usac.org/e-rate/applicant-process/competitive-bidding/> and the corresponding Document Retention requirements at <https://www.usac.org/e-rate/resources/document-retention/>.

**BENEFICIARY RESPONSE**

The District concurs with the audit finding. The organization had significant turnover [sic] in staff related to our E-rate program since the year of the audit. The current team is aware of record retention requirements. The District has also retained the services of an E-rate consultant to help the District ensure compliance with program requirements. In the future, both the District and the District’s consulting partner will be retaining documentation of E-rate procurement documentation.

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<sup>8</sup> See Beneficiary’s response to audit inquiry #19, received on March 23, 2023.

<sup>9</sup> 47 C.F.R. § 54.516(b).

**Finding #2:** 47 C.F.R. § 54.504(a) - Failure to Execute a Contract/Other Legally Binding Agreement Prior to Submission of the FCC Form 471

**CONDITION**

AAD obtained and examined documentation, including the FCC Form 470, Service Provider bids submitted in response to the Beneficiary’s request for services, FCC Form 471, and applicable purchase order, to determine whether the Beneficiary could demonstrate that it executed a contract prior to submitting its FCC Form 471 for FRN 2099065407, Internal Connections. AAD requested Beneficiary documentation including, but not limited to, bid evaluation meeting notes, notification of selection of service provider, and contracts or agreements executed with the applicable Service Providers. The Beneficiary provided a purchase order sent to the Beneficiary dated August 21, 2020, which is after the date the FCC Form 471 was filed. The Beneficiary informed AAD that it has been unable to locate the original bid evaluation documentation or any other documentation to demonstrate that it had a legally binding contract in place for FRN 2099065407 prior to submitting its FCC Form 471.<sup>10</sup>

**CAUSE**

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules regarding the requirement to execute a contract or other legally binding agreement prior to filing the FCC Form 471. Nor did the Beneficiary retain the necessary documentation to demonstrate that a contract or other legally binding agreement was executed prior to filing the FCC Form 471.

**EFFECT**

The monetary effect of this finding is \$102,647. This amount represents the total amount disbursed by the E-Rate program for FRN 209965407, Internal Connections.

<b>Monetary Effect (A)</b>	<b>Overlapping Exceptions (B)</b>	<b>Recommended Recovery (A) – (B)</b>
\$102,647	\$102,647 <sup>11</sup>	\$0 <sup>12</sup>

**RECOMMENDATION**

AAD recommends that USAC management seek recovery of \$102,647 to the extent funds are not already recovered as a result of other findings included in this audit report.

The Beneficiary must implement policies, procedures, and controls to ensure executed contracts or other legally binding agreements exist before filing the FCC Form 471. The Beneficiary may learn more about

<sup>10</sup> Beneficiary’s response to audit inquiry #19, received on March 23, 2023.

<sup>11</sup> This amount represents the monetary effect noted in Finding 1. See Finding 1, 47 C.F.R. § 54.516(a)(1), (b) §54.511(a)(2019) – Lack of Documentation – Beneficiary Did Not Demonstrate It Conducted a Fair and Open Competitive Bidding Process and Selected the Most Cost-Effective Service Provider.

<sup>12</sup> To prevent double recovery, the recommended recovery amount is less than the monetary effect given that the entire amount overlaps with the recommended recovery in Finding #1.

selecting service providers and the processes and rules related to executing contracts prior to filing the FCC Form 471 at <https://www.usac.org/e-rate/applicant-process/selecting-service-providers/contracts/>.

#### BENEFICIARY RESPONSE

The District has provided additional documentation which shows a contract signed by former Director of Purchasing Roger Spivy on April 23, 2020 dated the same date as the award date stated on the Form 470 with this response.

The District asks for this finding to be reconsidered.

#### AAD RESPONSE

The Beneficiary provided a copy of a contract with Sentinel Technologies, Inc. However, the Service Provider for the FRN in question is Visp. Group. Therefore, the additional documentation does not substantiate the Beneficiary's request for the Finding to be reconsidered. The AAD's position in regard to this Finding remains unchanged.

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### **Finding #3:** FCC Form 472, at Block 3 - Beneficiary Invoiced E-Rate Program for Amounts Not Reconciled to Service Provider Bills

#### CONDITION

AAD obtained and examined the Beneficiary's FCC Form 472 Billed Entity Applicant Reimbursement (BEAR) Form and the corresponding Service Provider bills provided by the Beneficiary to determine whether the E-Rate program was invoiced only for eligible and approved Ethernet and Internet Access services and related taxes and fees discounted costs for FRN 2099085653. The Beneficiary invoiced the E-Rate program using BEAR Form 3267983 for a total pre-discounted amount of \$201,900. However, the total pre-discounted amount of approved eligible services supported by the Service Provider bills totaled \$184,607. The difference between the pre-discounted amount shown on the BEAR Form and the approved eligible pre-discounted costs supported by the Service Provider bills is \$17,293. Therefore, AAD determined that the Beneficiary invoiced the E-Rate program \$8,647 for services not received by the Beneficiary/supported by the Service Provider bills (\$17,293 multiplied by the Beneficiary's 50 percent discount rate).

#### CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules requiring the submission of invoices to the E-Rate program only for approved, eligible services. In addition, the Beneficiary did not have adequate controls and procedures in place to ensure that the E-Rate program is invoiced only for the discounted share of the costs of approved, eligible locations, and services received from and invoiced to the Beneficiary by the Service Provider.

#### EFFECT

The monetary effect of this finding is \$8,647. This amount represents the total amount disbursed by the E-Rate program for the Beneficiary's discounted portion of the services in excess of the amounts requested on the FCC Form 471 for FRN 2099085653.

**RECOMMENDATION**

AAD recommends that USAC management seek recovery of \$8,647.

The Beneficiary must implement policies, procedures, and controls to ensure the E-Rate program is invoiced only for the Beneficiary’s discounted portion of the actual costs, less any discounts or rebates, billed by the Service Provider for the eligible equipment and services received from the Service Provider. The Beneficiary may learn more about the invoicing process at <https://www.usac.org/e-rate/applicant-process/invoicing/fcc-form-472-filing/#> and how to avoid common audit findings at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-e-rate-program/>.

**BENEFICIARY RESPONSE**

The District concurs with the audit finding. It is the District’s understanding that the discrepancy[sic] occurred due to unallowable services being included in the invoices being billed.

The organization had significant turnover [sic] in staff related to our E-rate program since the year of the audit. The current team is aware of the requirement to reconcile invoices to E-rate billings. The District has also retained the services of an E-rate consultant to help the District ensure compliance with program requirements.

**CRITERIA**

<b>Finding</b>	<b>Criteria</b>	<b>Description</b>
#1	47 C.F.R. § 54.516(a)(1) (2019)	(a) Recordkeeping requirements—(1) Schools, libraries, and consortia. Schools, libraries, and any consortium that includes schools or libraries shall retain all documents related to the application for, receipt, and delivery of supported services for at least 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.
#1	47 C.F.R. § 54.516(b) (2019)	(b) Production of records. Schools, libraries, consortia, and service providers shall produce such records at the request of any representative (including any auditor) appointed by a state education department, the Administrator, the FCC, or any local, state, or federal agency with jurisdiction over the entity.
#1	47 C.F.R. § 54.702(n) (2019)	(n) The Administrator shall account for the financial transactions of the Universal Service Fund in accordance with generally accepted accounting principles for federal agencies and maintain the accounts of the Universal Service Fund in accordance with the United States Government Standard General Ledger. When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support



Finding	Criteria	Description
		mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards. In administering the Universal Service Fund, the Administrator shall also comply with all relevant and applicable federal financial management and reporting statutes.
#1	47 C.F.R. § 54.503(a) (2019)	(a) All entities participating in the schools and libraries universal service support program must conduct a fair and open competitive bidding process, consistent with all requirements set forth in this subpart.
#1	47 C.F.R. § 54.511(a) (2019)	(a) Selecting a provider of eligible services. Except as exempted in §54.503(e), in selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.
#2	47 C.F.R. § 54.504(a) (2019)	<i>Filing of the FCC Form 471.</i> An eligible school, library, or consortium that includes an eligible school or library seeking to receive discounts for eligible services under this subpart shall, upon entering into a signed contract or other legally binding agreement for eligible services, submit a completed FCC Form 471 to the Administrator.
#3	Billed Entity Applicant Reimbursement (BEAR) Form, FCC Form 472, at Block 3	<p>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and I certify to the best of my knowledge, information, and belief, as follows:</p> <p>A. The discount amounts listed in this Billed Entity Applicant Reimbursement Form represent charges for eligible services and/or equipment delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the service start date reported on the associated FCC Form 486.</p> <p>C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FCDL).</p> <p>E. I certify that, in addition to the foregoing, this Billed Entity Applicant is in compliance with the rules and orders governing the schools and libraries universal service support program, and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments. I acknowledge that failure to comply with the rules and orders governing the schools and libraries universal service support program could result in civil or criminal prosecution by law enforcement authorities.</p>

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

Summary of the Schools and Libraries Support Mechanism Beneficiary Audit Reports Released: September 2024.

<b>Entity Name</b>	<b>Number of Findings</b>	<b>Significant Findings</b>	<b>Amount of Support</b>	<b>Monetary Effect</b>	<b>USAC Management Recovery Action*</b>	<b>Commitment Adjustment</b>	<b>Entity Disagreement</b>
<b>Attachment G</b> Dorchester County School District Two	1	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$2,485,254	\$81,759	\$0	\$0	N
<b>Attachment H</b> Cincinnati Public School	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$4,672,140	\$0	\$0	\$0	N/A
<b>Attachment I</b> Greenville County School District	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$6,411,393	\$0	\$0	\$0	N/A
<b>Attachment J</b> East Baton Rouge Parish District	3	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$4,488,946	\$201,606	\$1,326	\$0	N
<b>Attachment K</b> OV LLC	1	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$111,095	\$573	\$0	\$0	N
<b>Attachment L</b> Step CG LLC	1	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$14,306,700	\$69,629	\$69,629	\$0	N
<b>Attachment M</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$4,104,659	\$0	\$0	\$0	N/A

<b>Entity Name</b>	<b>Number of Findings</b>	<b>Significant Findings</b>	<b>Amount of Support</b>	<b>Monetary Effect</b>	<b>USAC Management Recovery Action*</b>	<b>Commitment Adjustment</b>	<b>Entity Disagreement</b>
North Slope Borough School District							
<b>Attachment N</b> CP Green Hills, LLC	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$174,423	\$0	\$0	\$0	N/A
<b>Total</b>	<b>6</b>		<b>\$36,754,610</b>	<b>\$353,567</b>	<b>\$70,955</b>	<b>\$0</b>	

\* The USAC Management Recovery Action may be less than the Monetary Effect as the circumstances did not warrant a recovery of funds (e.g. entity returned funds to USAC).

**Attachment G**

**SL2023LR002**

# Dorchester County School District Two

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Limited Review Performance Audit on Compliance with the Federal  
Universal Service Fund E-Rate Support Mechanism Rules

USAC Audit No. SL2023LR002

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## EXECUTIVE SUMMARY

March 6, 2024

Dr. Shane Robbins, Superintendent  
Dorchester County School District Two  
815 South Main Street  
Summerville, SC 29483

Dear Dr. Robbins:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Dorchester County School District Two (Beneficiary), Billed Entity Number (BEN) 127185, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of 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 competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Audit Results and Commitment Adjustment/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.

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 Dorchester County School District Two, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

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

Sincerely,



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

cc: Radha Sekar, USAC Chief Executive Officer  
Craig Davis, USAC Vice President, E-Rate Division  
Teleshia Delmar, USAC Vice President, Audit and Assurance Division



## AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
<b>Finding: 47 C.F.R. § 54.513(d) (2020) - Lack of Documentation – Equipment Transfers.</b> The Beneficiary did not maintain detailed records documenting the transfer and reason for the transfer of equipment.	\$81,759	\$0	\$0
<b>Total Net Monetary Effect</b>	<b>\$81,759</b>	<b>\$0</b>	<b>\$0</b>

## USAC MANAGEMENT RESPONSE

USAC management concurs with the Audit Result stated above. USAC may review other FCC forms and documents filed by the Beneficiary during the audited Funding Year that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the Beneficiary to our website for additional resources. Various links are listed below:

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/07-27-2021-E-Rate-Equipment-Transfers-Webinar-Slides.pdf> (please see pages 16-20 and 35-41).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Equipment Transfers, July 27, 2021). Please see timestamps 9:45-13:25 and 18:30-22:10.

USAC records show the Beneficiary is currently subscribed to the E-Rate Weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-rate program.

## PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$2,501,619	\$2,485,254
<b>Total</b>	<b>\$2,501,619</b>	<b>\$2,485,254</b>

*Note:* The amounts committed and disbursed reflect Funding Year 2021 activity as of the commencement of the audit.

The committed total represents one FCC Form 471 application with one Funding Request Number (FRN). AAD selected the FRN to perform the procedures enumerated below with respect to the Funding Year 2021 applications submitted by the Beneficiary.

## BACKGROUND

The Beneficiary is a school district located in Summerville, South Carolina that serves over 25,000 students across 26 schools.

## PROCEDURES

AAD performed the following procedures:

### A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, AAD examined documentation to determine if it supported the effective use of funding and demonstrated that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and direct observation to determine whether the Beneficiary was eligible to receive and had the necessary resources to support the equipment and services for which funding was requested. AAD also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

### B. Competitive Bid Process

AAD obtained and examined documentation to determine whether all bids received were properly evaluated and the price of the eligible services and goods was the primary factor considered. AAD also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts or executing month-to-month agreements with its selected service providers.

### C. Invoicing Process

AAD obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 474 Service Provider Invoices (SPIs) and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. AAD also examined documentation to determine whether the Beneficiary paid its non-discount share in a timely manner.

### D. Site Visit

AAD performed a physical inventory to evaluate the location and use of equipment and services to determine whether it was delivered and installed, located in eligible facilities, and utilized in accordance with the FCC Rules. AAD evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. AAD also evaluated the equipment and services purchased by the Beneficiary to determine whether funding was and/or will be used in an effective manner.

## E. Reimbursement Process

AAD obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, AAD reviewed invoices associated with the SPI forms for equipment and services provided to the Beneficiary. AAD verified that the equipment and services identified on the SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-Rate Eligible Services List.

## DETAILED AUDIT FINDING

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### Finding: 47 C.F.R. § 54.513(d) (2020) – Lack of Documentation – Equipment Transfers

#### CONDITION

AAD obtained and examined the Beneficiary's FCC Form 471 and the Beneficiary's Fixed Asset Listing (FAL) to determine whether all internal connections equipment purchased and received for FRN 2199025966 were properly recorded on the FAL and installed in the locations reported on the Beneficiary's FCC Form 471. The Beneficiary requested and received four hundred fifty-seven (457) pieces of equipment per the FCC Form 471, service provider bills, and the Beneficiary's FAL. However, per the Beneficiary's FAL, and as confirmed during AAD's site visit, two pieces of E-Rate funded equipment (switches) were not installed at the locations listed on the FCC Form 471. The Beneficiary indicated that these pieces of equipment were transferred to other locations within the district. AAD noted that these transfers occurred prior to three years after purchase to another eligible school. However, that eligible school is part of the same eligible school district as the location receiving the eligible equipment. Neither the transferring nor the receiving schools maintained detailed records documenting the transfers, the reason for the transfers, and the location of the switches as required by the FCC Rules.<sup>1</sup>

Although the pieces of equipment were ultimately located in schools that were not specifically listed on the Beneficiary's FCC Form 471, AAD determined that the locations where the pieces of equipment were installed are E-Rate eligible locations because they are schools within the Beneficiary's school district.<sup>2</sup> However, AAD

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<sup>1</sup> "If an eligible service or equipment component of a service is transferred pursuant to this paragraph, both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years." 47 C.F.R. § 54.513(d) (2020). See also 47 C.F.R. § 54.516(a) (2020) ("Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.").

<sup>2</sup> See *Modernizing E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and Order, FCC 19-117, para. 49 (2019) ("We therefore modify section 54.513(d) of the Commission's rules, effective for funding year 2021, to allow districts and library systems to transfer equipment between schools within a district and libraries within a system.").

concludes that the Beneficiary did not maintain detailed records documenting the transfer and the reason for the transfer for a period of at least five years, as required by FCC rules.<sup>3</sup>

#### CAUSE

The Beneficiary did not have adequate controls and procedures in place to ensure that accurate inventory and equipment transfer records were maintained, nor did it have an individual with sufficient knowledge of the program designated to perform a subsequent review of the FAL to ensure that all E-Rate-funded equipment was included. The Beneficiary noted that documentation errors were either due to an oversight on its part or made during the time the Technology Department was outsourced.<sup>4</sup>

#### EFFECT

The monetary effect of this finding is \$81,759. AAD calculated the monetary effect by multiplying the cost of the equipment times the Beneficiary's discount rate as follows:

FRN	Equipment Serial Number	Invoice Amount A	Discount Rate B	Monetary Effect C = A * B	Recommended Recovery
2199025966	Q2DY-YC6A-UJGE	\$79,999	80 %	\$63,999	\$0
	Q2KW-89AH-MKRS	\$22,200		\$17,760	\$0
<b>Total</b>		<b>\$102,119</b>		<b>\$81,759</b>	<b>\$0</b>

#### RECOMMENDATION

AAD recommends that USAC Management not seek recovery for this finding because the equipment was transferred to and is in use at E-Rate eligible locations within the district.

We recommend the Beneficiary implement policies, controls, and procedures to ensure that all equipment is received, accounted for, and listed in the correct locations on its FAL. The Beneficiary must also retain adequate records related to the transfer of equipment as required by the FCC Rules.

The Beneficiary must familiarize itself with the E-Rate program requirements and develop and implement a process that includes designating an individual to independently conduct the fixed asset inventory process and perform a subsequent review to ensure the accuracy of the Beneficiary's FAL. In addition, the Beneficiary may learn more about E-Rate program documentation requirements on USAC's website at <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/common-audit-findings-e-rate-program/>. AAD also recommends the Beneficiary visit USAC's website at <https://www.usac.org/e-rate/learn/> to become familiar with the training and outreach available for the E-Rate program.

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<sup>3</sup> *Id.* (“[B]oth the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years as required by the Commission’s rules. Additionally, as a reminder to all applicants, under section 54.516(a) of the Commission’s rules, schools, libraries, and consortia are required to maintain asset and inventory records of equipment purchased and the actual locations of such equipment for a period of 10 years after purchase.”).

<sup>4</sup> See Beneficiary response to Audit Inquiry Request #32, received on September 19, 2023.

#### BENEFICIARY RESPONSE

The Applicant agrees with the AAD's recommendations and will both 1) implement policies, controls, and procedures to ensure that all equipment is received and accounted for in the correct locations on its Fixed Asset List and retain adequate records related to the transfer of equipment within eligible schools within the District as required by FCC rules and 2) develop and implement a process that includes an individual independent of the fixed asset inventory process designated to perform a subsequent review to ensure the accuracy of its Fixed Asset List.

## CRITERIA

### 47 C.F.R. § 54.513(d) (2020):

Eligible services and equipment components of eligible services purchased at a discount under this subpart shall not be transferred, with or without consideration of money or any other thing of value, for a period of three years after purchase, except that eligible services and equipment components of eligible services may be transferred to another eligible school or library in the event that the particular location where the service originally was received is permanently or temporarily closed, or is part of the same eligible school district or library system as the location receiving the eligible services or equipment components of eligible services. If an eligible service or equipment component of a service is transferred pursuant to this paragraph, both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years.

### 47 C.F.R. § 54.516(a) (2020)

Schools, libraries, and consortia shall maintain asset and inventory records of equipment purchased as components of supported category two services sufficient to verify the actual location of such equipment for a period of 10 years after purchase.

### *Modernizing E-Rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and Order, FCC 19-117, para. 49 (2019)

We therefore modify section 54.513(d) of the Commission's rules, effective for funding year 2021, to allow districts and library systems to transfer equipment between schools within a district and libraries within a system. Importantly, transferors no longer must notify USAC of the transfer, but both the transferor and recipient must maintain detailed records documenting the transfer and the reason for the transfer for a period of five years as required by the Commission's rules. Additionally, as a reminder to all applicants, under section 54.516(a) of the Commission's rules, schools, libraries, and consortia are required to maintain asset and inventory records of equipment purchased and the actual locations of such equipment for a period of 10 years after purchase.

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

**Attachment H**

**SL2023LR011**

*Limited Scope Performance Audit  
of  
Cincinnati City School District's*

*Compliance with the Federal Universal Service Fund E-Rate  
Support Mechanism Rules*

*for Funding Year 2021*

*Conducted for:*

*Universal Service Administrative Company*

*USAC Audit No. SL2023LR011*

 **REGIS**  
ASSOCIATES, PC  
MANAGEMENT CONSULTANTS &  
CERTIFIED PUBLIC ACCOUNTANTS  
1420 K Street, NW  
Suite 910  
Washington, DC 20005



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## Executive Summary

August 1, 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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Cincinnati City School District (Beneficiary), Billed Entity Number (BEN) 129871, for the twelve-month period ended June 30, 2022, (Funding Year 2021), using regulations and orders governing the federal Universal Service E-Rate Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC's Rules is the responsibility of the Beneficiary's management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

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

Sincerely,

*Regis & Associates, PC*

Regis & Associates, PC

Washington, DC

August 1, 2024

---

## Background, Objective, Scope, and Procedures

### Background

#### Cincinnati City School District – Overview

The Beneficiary is a public school district in Cincinnati, Ohio. It is comprised of 65 schools with a current enrollment of approximately 36,000 students.

### Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable FCC's Rules, as well as the FCC Orders that governed the E-Rate Program; in Funding Year 2021.

### Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary's compliance with the FCC Rules. The FCC Rules govern committed amounts and disbursements received during Funding Year 2021<sup>1</sup>. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Basic Maintenance of Internal Connections	\$2,055,971	\$1,107,431
Data Transmission and/or Internet Access	\$2,937,352	\$2,796,270
Internal Connections	\$768,439	\$768,439
<b>Total</b>	<b>\$ 5,761,762</b>	<b>\$ 4,672,140</b>

*Note:* The amounts committed and disbursed reflect funding year activity, as of April 24, 2023.

The committed total represents four FCC Form 471 applications with four Funding Request Numbers (FRNs). We selected two FRNs of the funded 4 FRNs<sup>2</sup>, which represent \$4,930,316 of the funds committed and \$3,840,695 of the funds disbursed during the audit period, to perform the procedures enumerated below with

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<sup>1</sup> 47 C.F.R. Part 54

<sup>2</sup> The FRNs included in the scope of this audit were: 2199031881 and 2199007825.

---

respect to the Funding year 2021 applications submitted by the Beneficiary.

## **Procedures**

We performed procedures related to the E-Rate program, relative to amounts committed to, and received by the Beneficiary, for Funding Year 2021, as of April 24, 2023.

These procedures are enumerated below:

### **A. Application Process**

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we examined documentation to support its effective use of funding and that adequate controls existed to determine whether funds were used in accordance with the FCC Rules. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

### **B. Competitive Bid Process**

We obtained and examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services and the price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We examined the service provider contracts to determine whether they were properly executed.

### **C. Invoicing Process**

We obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 472 Billed Entity Applicant Reimbursements (BEARs), FCC Form 474 Service Provider Invoices (SPIs), and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

### **D. Reimbursement Process**

We obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary, and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the BEAR and SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the BEAR and SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-Rate Eligible Services List.

**Attachment I**  
**SL2023LR016**

*Limited Scope Performance Audit  
of  
Greenville County School District's*

*Compliance with the Federal Universal Service Fund  
E-Rate Support Mechanism Rules*

*for Funding Year 2021*

*Conducted for:*

*Universal Service Administrative Company*

*USAC Audit No. SL2023LR016*

**REGIS**  
ASSOCIATES, PC  
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Washington, DC 20005

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## Executive Summary

September 4, 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:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) engaged Regis & Associates, PC to audit the compliance of Greenville County School District (Beneficiary), Billed Entity Number (BEN) 127215, for the twelve-month period ended June 30, 2022 (Funding Year 2021), using regulations and orders governing the federal Universal Service E-Rate Program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC's Rules is the responsibility of the Beneficiary's management. Our responsibility is to make a determination regarding the Beneficiary's compliance with the FCC's Rules, based on our limited scope performance audit, pursuant to 47 C.F.R. Section 54.516(c).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select service providers, data used to calculate the discount percentage and the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures we considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

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

*Regis & Associates, PC*

Sincerely,  
Regis & Associates, PC  
Washington, DC  
September 4, 2024

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## Background, Objective, Scope, and Procedures

### Background

#### Greenville County School District– Overview

Greenville County School District is the largest public school system in South Carolina and the 44th largest in the nation. It has approximately 77,000 students through child development center all the way through high school. It is comprised of 101 schools with approximately 11,000 employees, including 720 National Board-Certified teachers.

### Objective

The objective of this performance audit was to determine whether the Beneficiary complied with the applicable requirements of the FCC's Rules, as well as the FCC's Orders that govern the E-Rate Program; for Funding Year 2021.

### Scope

The scope of this performance audit includes examining on a test basis, evidence supporting the Beneficiary's compliance with the FCC Rules. The FCC Rules govern commitment amounts and disbursements received during Funding Year 2021. The testing and analysis conducted are detailed in the Procedures section of this report. The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$7,128,046	\$6,411,393

*Note:* The amounts committed and disbursed reflect funding year activity, as of April 27, 2023.

The committed total represents 3 FCC Form 471 applications with 6 Funding Request Numbers (FRNs). We selected 3 FRNs of the funded 6 FRNs<sup>1</sup>, which represent \$6,911,335 of the funds committed; and \$6,208,853 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding year 2021 applications submitted by the Beneficiary.

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<sup>1</sup> The FRNs included in the scope of this audit were: 2199055295, 2199061776, and 2199061739.

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## **Procedures**

We performed procedures related to the E-Rate program, relative to amounts committed to, and received by the Beneficiary, for Funding Year 2021, as of April 27, 2023 .These procedures are enumerated below:

### **A. Application Process**

We obtained an understanding of the Beneficiary's processes relating to the E-Rate program. Specifically, we examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the FCC Rules. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

### **B. Competitive Bid Process**

We obtained and examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services and the price of the eligible services was the primary factor considered. We also obtained and examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 470 was posted on USAC's website before signing contracts with the selected service providers. We examined the service provider contracts to determine whether they were properly executed.

### **C. Invoicing Process**

We obtained and examined invoices for which payment was disbursed by USAC to determine whether the equipment and services identified on the FCC Form 474 Service Provider Invoices (SPIs), and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner.

### **D. Beneficiary Location**

We conducted inquiries to determine whether the equipment and services were located in eligible facilities, and utilized in accordance with the FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which funding was requested. We also evaluated the equipment and services purchased by the Beneficiary for cost effectiveness, to determine whether funding was used in an effective manner.

### **E. Reimbursement Process**

We obtained and examined invoices submitted for reimbursement for the equipment and services delivered to the Beneficiary, and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the SPI forms for equipment and services provided to the Beneficiary. We verified that the equipment and services identified on the SPI forms and corresponding service provider bills were consistent with the terms and specifications of the service provider agreements and eligible in accordance with the E-Rate Eligible Services List.

**Attachment J**

**SL2023LR022**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**EAST BATON ROUGE PARISH DISTRICT**

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

**USAC AUDIT No. SL2023LR022**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
EAST BATON ROUGE PARISH DISTRICT  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

April 25, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC (referred to as “we”)<sup>1</sup> audited the compliance of East Baton Rouge Parish District (Beneficiary), Billed Entity Number (BEN) 139288, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select the Beneficiary’s service providers, 2) data used to calculate the discount percentage and the type and amount of equipment and services received, and 3) a physical inventory of equipment purchased and maintained. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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<sup>1</sup> 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”).



Based on the test work performed, our audit disclosed three detailed audit findings discussed in the Audit Results and Recovery Action section below. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with relevant FCC Rules that were in effect during the audit period.

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

### Audit Results and Recovery Action

Based on the test work performed, our audit disclosed that one of the Beneficiary’s selected Service Providers did not comply with FCC Rules, as set forth in the three detailed audit findings discussed below.

Audit Results	Monetary Effect	Recommended Recovery
<b>Finding No. 1, FCC Form 473, Service Provider Annual Certification (SPAC) Form at Block 2 (2020); FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Equipment Installed at a Non-Instructional Facility (NIF).</b> One of the selected Service Providers invoiced the E-Rate program for equipment installed at an ineligible NIF location.	\$1,326	\$1,326
<b>Finding No. 2, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Equipment Funded by A Different Funding Request Number (FRN).</b> One of the selected Service Providers invoiced the E-Rate program for equipment funded by a different FRN.	\$172,686	\$0
<b>Finding No. 3, FCC Form 473, SPAC Form at Block 2 (2020); FCC Form 474, SPI Form at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Equipment Exceeding the Quantity Approved for Funding.</b> One of the selected Service Providers invoiced the E-Rate program and the Beneficiary for equipment exceeding the quantity requested for funding on the FCC Form 471, <i>Description of Services Ordered and Certification Form.</i>	\$27,594	\$0
<b>Total Net Monetary Effect</b>	<b><u>\$201,606</u></b>	<b><u>\$1,326</u></b>

## USAC Management Response

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC may review other FCC forms and documents filed by the Beneficiary and Service Provider during the audited Funding Year (FY) that were not in the scope of this audit and there may be additional recoveries and/or commitment adjustments. USAC will request the Beneficiary and Service Provider provide copies of policies and procedures implemented to address the issues identified. USAC also refers the Beneficiary and Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: E-Rate Program Overview, October 3, 2023). Please see timestamp 14:15-18:55.
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Fall Training: Invoicing, November 09, 2023). Please see timestamps 8:50-11:15, 13:35-14:20, 23:40-26:05, 29:05-30:30, and 56:50-58:40.

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

FRN	Recovery Amount
2199031719	\$1,326

## Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for FY 2021. The Beneficiary is a school district located in Baton Rouge, Louisiana, that serves approximately 40,000 students.

The following chart summarizes the E-Rate program support amounts committed and disbursed to the Beneficiary for FY 2021 as of November 9, 2023, the date that we completed our initial fieldwork testing.<sup>2</sup>

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$3,615,460	\$3,615,460
Data Transmission and/or Internet Access	\$874,800	\$873,486
Total	<b>\$4,490,260</b>	<b>\$4,488,946</b>

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<sup>2</sup> On November 9, 2023, we expanded the audit scope to include \$1,158,580 disbursed for FRN 2199031719 after our audit announcement date of March 1, 2023.

The “amount committed” total represents two FCC Form 471 applications submitted by the Beneficiary for FY 2021 that resulted in three FRNs. We selected a sample of two FRNs,<sup>3</sup> which represent \$4,457,860 of the funds committed and \$4,457,860 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

**A. Application Process**

We obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We conducted inquiries and direct observation/inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the equipment and services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

**B. Competitive Bid Process**

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible equipment and services as the primary factor when selecting service providers. We also obtained and examined evidence to determine whether the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC’s website before signing contracts or executing month-to-month agreements with its selected Service Providers. Additionally, we examined the selected Service Provider contracts to determine whether they were properly executed, and we evaluated the cost-effectiveness of the equipment and services requested and purchased.

**C. Invoicing Process**

We obtained and examined invoices for which USAC disbursed payment to determine whether the equipment and services identified on the FCC Form 474s, SPI Forms, and corresponding selected Service Provider bills were consistent with the terms and specifications of the selected Service Provider agreements. We also examined documentation to determine whether the Beneficiary paid its non-discounted share.

**D. Virtual Site Visit**

We performed virtual site visits to evaluate the location and use of equipment and services to determine whether they were properly delivered and installed, located in eligible facilities, and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the equipment and services for which it had requested funding and evaluated the equipment and services purchased to determine whether the Beneficiary used the funding in an effective manner.

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<sup>3</sup> We tested FRNs 2199031719 and 2199048262.

**E. Reimbursement Process**

We obtained and examined invoices that the selected Service Providers submitted to USAC for reimbursement and performed procedures to determine whether the selected Service Providers had properly invoiced USAC. Specifically, we reviewed invoices associated with the SPI Forms for services provided to the Beneficiary. We verified that the equipment and services identified on the SPI Forms and corresponding selected Service Provider bills were consistent with the terms and specifications of the selected Service Provider agreements and were eligible in accordance with the E-Rate program Eligible Services List.

**Detailed Audit Findings**

**Finding No. 1, FCC Form 473, SPAC Form, at Block 2 (2020); FCC Form 474, SPI Form, at Block 3 (2020) – Service Provider Invoiced E-Rate Program for Equipment Installed at a NIF<sup>4</sup>**

**Condition**

One of the Beneficiary’s selected Service Providers, Transformyx, LLC (dba Lockstep Technology Group [LTG]), invoiced the E-Rate program for equipment that it installed at an ineligible NIF.<sup>5</sup> Specifically, the Service Provider’s bills contained \$1,560 in charges for internal connections equipment installed at North Highland (BEN 17011424), which is an administrative office building. The Service Provider confirmed that the Beneficiary planned to pay for the equipment installed at North Highland, but it erroneously charged the E-Rate program for the equipment installed at the ineligible location.

**Cause**

The Service Provider did not have adequate controls in place to ensure that it only invoiced the E-Rate program for equipment installed at eligible locations.

**Effect**

The monetary effect of this finding is \$1,326 (\$1,560 multiplied by the Beneficiary’s 85 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199031719	\$1,326	\$1,326
<b>Total</b>	<b>\$1,326</b>	<b>\$1,326</b>

<sup>4</sup> See also 47 CFR § 54.502(d)(6) (2020).

<sup>5</sup> A NIF is a school building without classrooms, such as administrative buildings, cafeteria offices, or athletic facilities. NIFs are ineligible for Category Two services and equipment such as internal connections, basic maintenance, and managed internal broadband services unless certain exceptions apply. See Universal Service Administrative Company, E-Rate, Non-Instructional Facilities (NIFs), <https://www.usac.org/e-rate/applicant-process/before-you-begin/non-instructional-facilities-nifs/>.

## Recommendations

We recommend that:

1. The E-Rate program seek recovery of the amount identified in the Effect section above.
2. The Service Provider implement controls to ensure that it only invoices the E-Rate program for internal connections equipment installed at eligible locations.

## Service Provider Response

*Lockstep Technology installed equipment at a site that was not eligible in FY21. The EBR Schools system is a dynamic district improving campuses through renovation, construction, consolidation, and re-districting. We acknowledge that we did install equipment at North Highland, not understanding that this previously eligible site, with a similar name to another eligible site, Highland Elementary, was not included on the eligible entity list. The equipment installed at the site is cabling, and therefore cannot be removed without great interruption to the district. Transformyx, LLC. dba Lockstep Technology Group (LTG), will reimburse USAC \$1,326.00.*

*We have implemented a triple check system for Erate site eligibility moving forward.*

1. Request 471 Eligible site list from Consultant or Client.
2. Confirm prior to providing individual quote and deployment plan that the site is on the Eligible site list for that funding year.
3. After receiving purchase order from entity for any given site, confirm site eligibility before ordering equipment.

*The updated standard operating procedure was adopted July 1, 2023, and all Sales team, project managers, and procurement specialists have been made aware of changes.*

## **Finding No. 2, FCC Form 473, SPAC Form, at Block 2 (2020); FCC Form 474, SPI Form, at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Equipment Funded by A Different FRN<sup>6</sup>**

### Condition

One of the Beneficiary's selected Service Providers, Transformyx, invoiced the E-Rate program for equipment funded by a different FRN. Specifically, the Service Provider invoiced FRN 2199031719 for 43 units of C9500-16X-EDU equipment, which exceeded the 23 units requested and approved for funding on the Beneficiary's FCC Form 471 for that FRN. In response to audit inquiries, the Service Provider stated that the 20 additional units of C9500-16X-EDU equipment should have been invoiced to FRN 2299013496. As a result, the Service Provider invoiced the E-Rate program for \$203,160 in ineligible costs for FRN 2199031719.

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<sup>6</sup> See also 47 C.F.R. § 54.504(f)(4), (5) (2020).

FRN	Unit Price of Ineligible Equipment	Quantity of Ineligible Equipment	Ineligible Invoiced Charges
2199031719	\$10,158	20	\$203,160

**Cause**

The Service Provider did not have adequate controls in place to ensure the equipment charges were invoiced to the correct FRN.

**Effect**

The monetary effect of this finding is \$172,686 (\$203,160 multiplied by the Beneficiary’s 85 percent discount rate). However, because the Service Provider provided documentation showing that the funds were returned to USAC, we are not recommending recovery for this finding.

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199031719	\$172,686	\$0
<b>Total</b>	<b>\$172,686</b>	<b>\$0</b>

**Recommendation**

We recommend that the Service Provider implement controls and procedures to ensure that it only invoices the E-Rate program for equipment using the correct FRN.

**Service Provider Response**

*LTG invoiced the incorrect FRN for equipment purchased under the Erate program. Unforeseen supply chain delays pushed FY21 orders into the next years (2022 and 2023). Our contract for equipment and services spanned 3 funding years at the time. When closing the order, our internal team inadvertently separated the equipment incorrectly between funding years. We realized the mistake and returned the monies to the FY21 FRN on November 6, 2023. We were able to correctly bill the FY22 FRN for this equipment.*

*We have implemented a triple check system for Erate FRN correct billing moving forward.*

- 1. Erate trained staff only will handle all quoting, ordering, and invoicing of Erate specific orders.*
- 2. When an Erate opportunity is quoted all FRNs must be on separate quotes, orders and purchase orders. And, the FRN should be clearly noted on quote, order, and invoice.*
- 3. Prior to filing 474, LTG will confirm that a single FRN is on the invoice and compare against available quantities (see Finding No. 3 details).*

*The updated standard operating procedure was adopted July 1, 2023, and all Sales team, project managers, and procurement specialists have been made aware of changes.*

**Finding No. 3, FCC Form 473, SPAC Form, at Block 2 (2020); FCC Form 474, SPI Form, at Block 3 (2020) – Service Provider Invoiced the E-Rate Program for Equipment Exceeding the Quantity Approved for Funding**<sup>7</sup>

**Condition**

One of the Beneficiary’s selected Service Providers, Transformyx, invoiced the E-Rate program for equipment exceeding the quantity approved for funding based on the Beneficiary’s FCC Form 471, Application Number 211022639. Specifically, although the Beneficiary requested—and USAC approved—funding for 26 units of C2960X-STACK equipment under FRN 2199031719, the Service Provider invoiced the E-Rate program for 75 units of C2960X-STACK equipment under this FRN. As a result, the Service Provider’s invoices exceeded the total eligible funding by \$32,463.

FRN	Unit Price of Ineligible Equipment	Quantity of Ineligible Equipment	Ineligible Invoiced Charges
2199031719	\$662.50	49	\$32,463

**Cause**

The Service Provider did not have adequate controls in place to ensure that it only invoiced the E-Rate program for the quantity of equipment that was approved for funding.

**Effect**

The monetary effect of this finding is \$27,594 (\$32,463 multiplied by the Beneficiary’s 85 percent discount rate). However, because the Service Provider provided documentation showing that the funds were repaid to USAC, we are not recommending any recovery for this finding.

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199031719	\$27,594	\$0
<b>Total</b>	<b><u>\$27,594</u></b>	<b><u>\$0</u></b>

**Recommendation**

We recommend that the Service Provider implement controls and procedures to ensure that it appropriately invoices the E-Rate program only for the quantity of equipment approved for funding.

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<sup>7</sup> See also 47 C.F.R. § 54.504(f)(4), (5) (2020).

**Service Provider Response**

*The move to one FRN across multiple sites was a change from previously vetted procedures within our Erate practice. The extra stacking cables were scoped to complete the job, and LTG considered filing a substitution for this line. Upon review, there were no additional monies in this category. We realized the mistake and returned the overage to USAC on Nov.6, 2023. We were able to return these hardware items and issue East Baton Rouge Parish a credit for their portion.*

*We have implemented a 4-point system for Erate line item quantity check, that aligns with single or multiple FRNs moving forward.*

- 1. Download “Current” 471 line items from USAC open data source and store in CRM and Client RunBook.*
- 2. Confirm available quantity prior to individual quote and deployment plan that the quantity is available.*
- 3. After receiving purchase order from entity, confirm that there are enough quantity of any given line item, considering all outstanding invoices and projects.*
- 4. Prior to filing 474, confirm that there are eligible quantities available for all line items. And, using the new USAC portal, upload copy of invoice with necessary information for good record keeping.*

*The updated standard operating procedure was adopted July 1, 2023, and all Sales team, project managers, and procurement specialists have been made aware of changes.*

*In addition to updating our standard operating procedures to reflect the above changes, we have also had all Erate Team members attend Erate training both in person and virtually. Additionally, we have terminated a team member who was not following best practices in the field. We believe that these steps will prevent further inaccuracies.*

**Criteria**

Finding	Criteria	Description
1, 2, 3	FCC Form 473, Service Provider Annual Certification (SPAC) Form, at Block 2 (2020)	<p><i>9. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider contain requests for universal service support for services which have been billed to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.</i></p> <p><i>10. I certify that the Service Provider Invoice Forms (FCC Form 474) that are submitted by this Service Provider are based on bills or invoices issued by the Service Provider to the Service Provider’s customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund</i></p>



Finding	Criteria	Description
		<p><i>administrator for which the fund administrator has not issued a reimbursement decision.</i></p> <p><i>11. I certify that the bills or invoices issued by this Service Provider to the Billed Entity are for equipment and services eligible for universal service support by the Administrator and exclude any charges previously invoiced to the Administrator by the Service Provider.</i></p>
1, 2, 3	FCC Form 474, Service Provider Invoice (SPI) Form at Block 3 (2020)	<p><i>I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to submit this Service Provider Invoice Form (FCC Form 474) and acknowledge to the best of my knowledge, information and belief, as follows:</i></p> <p><i>A. I certify that this Service Provider is in compliance with the rules and orders governing the schools and libraries universal service support program and I acknowledge that failure to be in compliance and remain in compliance with those rules and orders may result in the denial of discount funding and/or cancellation of funding commitments.</i></p>
1	47 C.F.R. § 54.502(d)(6) (2020)	<p><b><i>Non-instructional buildings.</i></b> Support is not available for category two services provided to or within non-instructional school buildings or separate library administrative buildings unless those category two services are essential for the effective transport of information to or within one or more instructional buildings of a school or non-administrative library buildings, or the Commission has found that the use of those services meets the definition of educational purpose, as defined in <a href="#"><u>§ 54.500</u></a>. When applying for category two support for eligible services to a non-instructional school building or library administrative building, the applicant shall deduct the cost of the non-instructional building's use of the category two services or equipment.</p>
2, 3	47 C.F.R. § 54.504(f)(4) (2020)	<p><i>The service provider listed on the FCC Form 473 certifies that the invoices that are submitted by this Service Provider to the Billed Entity for reimbursement pursuant to Billed Entity Applicant Reimbursement Forms (FCC Form 472) are accurate and represent payments from the Billed Entity to the Service Provider for equipment and services provided pursuant to E-rate program rules.</i></p>
2, 3	47 C.F.R. § 54.504(f)(5) (2020)	<p><i>The service provider listed on the FCC Form 473 certifies that the bills or invoices issued by this service provider to the billed entity are for equipment and services eligible for</i></p>

Finding	Criteria	Description
		<i>universal service support by the Administrator, and exclude any charges previously invoiced to the Administrator by the service provider.</i>

*Sikich CPA LLC*

**Attachment K**

**SL2023SP037**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**OV LLC**

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

**USAC AUDIT No. SL2023SP037**



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FINDING No. 1, FCC FORM 472, BEAR FORM AT BLOCK 3 (2020) – BENEFICIARY INVOICED THE  
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**CRITERIA..... 5**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
OV LLC  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

March 4, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> (referred to as “we”) audited the compliance of OV LLC (Service Provider), Service Provider Identification Number (SPIN) 143034500, for Funding Year (FY) 2021, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services that the Service Provider provided to E-Rate beneficiaries in the states of Connecticut, New Jersey, and New York (selected Beneficiaries). The audit also included performing other procedures we considered necessary to make a determination regarding the Service Provider’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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

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<sup>1</sup> Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC”.

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

### Audit Results and Recovery Action

Based on the test work performed, our audit found that one selected Beneficiary did not comply with FCC Rules, as provided in the audit finding discussed below.

Audit Results	Monetary Effect	USAC Recovery Action
<b>Finding No. 1, FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form at Block 3 (2020) – Beneficiary Invoiced the E-Rate Program for Ineligible Services.</b> One Beneficiary invoiced USAC for services that had not been requested on its FCC Form 471, <i>Description of Services Ordered and Certification Form</i> , and were not eligible for E-Rate funding.	\$573	\$0
<b>Total Net Monetary Effect</b>	<b><u>\$573</u></b>	<b><u>\$0</u></b>

### USAC Management Response

USAC management concurs with the Audit Results stated above. USAC will request that the selected Beneficiary and Service Provider provide copies of policies and procedures implemented to address the issues identified. USAC also refers the selected Beneficiary and Service Provider to our website for additional resources. Various links are listed below:

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2022/E-Rate-Invoice-Training-Webinar-2022-Slides.pdf> (please see slides 14 and 31).

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

### Purpose, Background, Scope, and Procedures

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2021. The Service Provider is headquartered in Bethpage, New York, and provides internet access and phone services. The Service Provider, a subsidiary of Altice USA, Inc., is also known as Optimum.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider for FY 2021 as of March 22, 2023, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$235,106	\$111,095
<b>Total</b>	<b><u>\$235,106</u></b>	<b><u>\$111,095</u></b>

The “amount committed” total represents 83 FCC Form 471 applications submitted by the selected Beneficiaries for FY 2021 that resulted in 79 Funding Request Numbers (FRNs). We selected a sample of 25 FRNs,<sup>2</sup> which represent \$51,744 of the funds committed and \$38,107 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

**A. Eligibility Process**

We conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether services requested by the selected Beneficiaries were eligible for reimbursement and had been delivered and installed in accordance with FCC Rules. We obtained an understanding of the Service Provider’s operations and background. We also conducted inquiries and examined documentation to determine if the Service Provider provided E-Rate services in compliance with the FCC Rules.

**B. Competitive Bidding Process**

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

**C. Invoicing Process**

We reviewed the BEAR Forms for which USAC disbursed payment to determine whether the services identified on the BEAR Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider’s contracts and were eligible in accordance with the E-Rate Eligible Services List (ESL). We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to similarly-situated non-residential customers.

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<sup>2</sup> We sampled FRNs 2199007383, 2199040883, 2199028099, 2199002543, 2199045890, 2199003391, 2199011601, 2199007003, 2199021466, 2199003561, 2199003560, 2199047886, 2199042669, 2199058235, 2199054179, 2199027547, 2199047054, 2199009124, 2199036517, 2199064607, 2199018981, 2199003442, 2199059442, 2199031183, and 2199045252.



**D. Reimbursement Process**

We obtained and examined the BEAR Forms that the selected Beneficiaries submitted to USAC for reimbursement for the eligible services delivered to the selected Beneficiaries and performed procedures to determine whether the selected Beneficiaries had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the BEAR Forms for services provided to the selected Beneficiaries.

**Detailed Audit Finding**

**Finding No. 1, FCC Form 472, BEAR Form at Block 3 (2020) – Beneficiary Invoiced the E-Rate Program for Ineligible Services**

**Condition**

One of the selected Beneficiaries, the Head Start Program of Morris County received funding from USAC under FRN 2199007003 and invoiced the E-Rate program for \$637 in costs incurred to obtain Optimum Voice phone services from the Service Provider. However, the services requested and approved for funding per the Beneficiary’s FCC Form 471 were Internet access services with 200Mbps bandwidth speed to two locations. The Beneficiary did not request funding for phone services under FRN 2199007003 and phone services are not included as eligible for E-Rate funding per the FY 2021 ESL.

**Cause**

The Beneficiary did not have adequate controls in place to ensure that it only invoiced the E-Rate program for eligible services that had been approved for funding.

**Effect**

The monetary effect of this finding is \$573 (\$637 multiplied by the Beneficiary’s 90 percent discount rate). We do not recommend recovery, as the Beneficiary provided documentation to demonstrate that it refunded the E-Rate program in response to this finding.

Support Type	Monetary Effect	Recommended Recovery
Internet Access FRN 2199007003	\$573	\$0
<b>Totals</b>	<b>\$573</b>	<b>\$0</b>

**Recommendation**

We recommend that the Beneficiary implement controls to ensure that its BEAR Forms only request reimbursement for equipment and services that are E-Rate eligible and have been approved for funding per the applicable E-Rate ESL before invoicing the E-Rate program.

**Beneficiary Response**

*The Weiss group submitted information on our behalf. While I was reviewing the Optimum invoices during the audit I realized these were for voice services, which I now understand are not eligible. I corrected this error in submission by the Weiss group on our behalf by fully*

*refunding the money Head Start received due to this misrepresentation. And we no longer use the services of the Weiss group.*

**Criteria**

<b>Finding</b>	<b>Criteria</b>	<b>Description</b>
1	FCC Form 472, BEAR Form, at Block 3 (2020)	<i>...C. The discount amounts listed in this Billed Entity Applicant Reimbursement Form are for eligible services and/or equipment approved by the Fund Administrator pursuant to a Funding Commitment Decision Letter (FDCL).</i>

*Sibich CPA LLC*

**Attachment L**

**SL2023SP039**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**STEP CG LLC**

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

**USAC AUDIT No. SL2023SP039**



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    FINDING NO. 1, 47 C.F.R. § 54.507(d)(4) (2020) – E-RATE FUNDED EQUIPMENT NOT INSTALLED  
    BY REQUIRED DEADLINE..... 4

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
STEP CG LLC  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

March 1, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> audited the compliance of Step CG LLC (Service Provider), Service Provider Identification Number (SPIN) 143044123, for Funding Year (FY) 2021, using regulations governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as orders and other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of Service Provider management. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services that the Service Provider provided to E-Rate beneficiaries in the states of Kentucky, Illinois, and Florida (selected Beneficiaries), as well as performing other procedures we considered necessary to make a determination regarding the Service Provider’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding. For the purpose of this report, a “finding” is a condition that shows evidence of non-compliance with FCC Rules that were in effect during the audit period.

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<sup>1</sup> Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC”.

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

**Audit Results and Recovery Action**

Based on the test work performed, our audit found that one of the selected Beneficiaries did not comply with FCC Rules, as provided in the audit finding discussed below.

Audit Results	Monetary Effect	Overlapping Recovery	Recommended Recovery
<b>Finding No. 1, 47 C.F.R. § 54.507(d)(4) (2020) - E-Rate Funded Equipment Not Installed by Required Deadline.</b> One of the selected Beneficiaries did not install E-Rate equipment by the required deadline of September 30, 2023, nor did it submit a service delivery extension request to USAC.	\$69,629	\$0	\$69,629
<b>Total Net Monetary Effect</b>	<b><u>\$69,629</u></b>	<b><u>\$0</u></b>	<b><u>\$69,629</u></b>

**USAC Management Response**

USAC management concurs with the Audit Results stated above. See the chart below for the recovery amount. USAC will request that the selected Beneficiary provide copies of policies and procedures implemented to address the issue identified. USAC also refers the Beneficiary to our website for additional resources. Various links are listed below:

- <https://www.usac.org/wp-content/uploads/e-rate/documents/Webinars/2021/07-27-2021-E-Rate-Equipment-Transfers-Webinar-Slides.pdf> (please see pages 11-15 and 21-25).
- <https://www.usac.org/e-rate/learn/webinars/> (E-Rate Equipment Transfers, July 27, 2021). Please see timestamps 7:00-9:45 and 13:20-15:20).

USAC records show the selected Beneficiary is currently subscribed to the E-Rate weekly News Brief. USAC encourages the Beneficiary to review the News Brief as it contains valuable information about the E-Rate Program.

FRN	Recovery Amount
2199042061	\$69,629

**Purpose, Background, Scope, and Procedures**

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2021. The Service Provider is headquartered in Covington, Kentucky, and provides managed internal broadband and internal connections to customers in Illinois, Ohio, Florida, and Kentucky.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider as of November 30, 2023, the date that we completed our initial fieldwork testing.<sup>2</sup>

Service Type	Amount Committed	Amount Disbursed
Internal Connections	\$12,690,873	\$11,436,741
Basic Maintenance of Internal Connections	\$33,030	\$33,030
Managed Internal Broadband Services	\$611,805	\$512,369
Internet Access	\$2,324,560	\$2,324,560
<b>Total</b>	<b><u>\$15,660,268</u></b>	<b><u>\$14,306,700</u></b>

The “amount committed” total represents 28 FCC Form 471, *Description of Services Ordered and Certification Form*, applications submitted by the selected Beneficiaries for FY 2021 that resulted in 35 Funding Request Numbers (FRNs). We selected a sample of 25 of the FRNs,<sup>3</sup> which represented \$15,346,439 of the funds committed and \$14,137,790 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

**A. Eligibility Process**

We conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether the equipment and services requested by the selected Beneficiaries were eligible for reimbursement from the E-Rate program and had been delivered and installed in accordance with FCC Rules. We obtained an understanding of the Service Provider’s operations and background. We also conducted inquiries and examined documentation to determine if the Service Provider provided E-Rate -eligible equipment and services in compliance with FCC Rules.

**B. Competitive Bidding Process**

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

<sup>2</sup> We expanded the audit scope on November 30, 2023, to include \$183,377 disbursed for FRN 2199042061 after our audit announcement date (February 27, 2023).

<sup>3</sup> The audit sample included FRNs 2199002491, 2199059608, 2199056062, 2199044505, 2199051627, 2199052550, 2199039921, 2199025351, 2199064293, 2199056776, 2199042061, 2199044497, 2199044450, 2199027808, 2199044462, 2199051773, 2199047773, 2199041311, 2199037307, 2199048069, 2199051509, 2199028587, 2199043399, 2199046004, and 2199024577.



**C. Invoicing Process**

We reviewed the FCC Forms 472, *Billed Entity Applicant Reimbursement* (BEAR) Forms, and FCC Forms 474, *Service Provider Invoice* (SPI) Forms, for which USAC disbursed payment to determine whether the equipment and services identified on the BEAR Forms and SPI Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider’s contracts and were eligible in accordance with the applicable E-Rate Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged to similarly-situated non-residential customers for similar services.

**D. Reimbursement Process**

We obtained and examined the BEAR Forms and SPI Forms that the selected Beneficiaries or Service Provider submitted to USAC for reimbursement for the eligible equipment and services delivered to the selected Beneficiaries, then performed procedures to determine whether the selected Beneficiaries or Service Provider had properly invoiced USAC. Specifically, we reviewed the Service Provider bills associated with the BEAR Forms and SPI Forms for equipment and services provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

**Detailed Audit Finding**

**Finding No. 1, 47 C.F.R. § 54.507(d)(4) (2020) – E-Rate Funded Equipment Not Installed by Required Deadline**

**Condition**

One of the selected Beneficiaries, Jefferson County Public Schools (Billed Entity Number [BEN] 128769), did not install E-Rate equipment funded under FRN 2199042061 by the required deadline of September 30, 2023, nor did it submit a service delivery extension request to USAC.<sup>4</sup> Specifically, we reconciled the Beneficiary’s fixed asset listing to the Service Provider’s bills and noted that the Beneficiary had not installed 45 of the access points invoiced. The Service Provider included the cost of these uninstalled access points in its SPI Form. We calculated the invoiced costs for the uninstalled equipment as follows:

Equipment	Quantity	Unit Cost	Total
Access Point AP 560t-FCC	6	\$1,820.35	\$10,922
Access Point AP560H-FCC	39	\$1,820.35	\$70,994
<b>Total</b>			<b><u>\$81,916</u></b>

**Cause**

The Beneficiary did not install the access points by the required deadline of September 30, 2023, because of supply chain issues, which delayed equipment delivery. The Beneficiary explained

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<sup>4</sup> See also School and Libraries Universal Support Mechanism, CC Docket No. 02-6, Order, DA 22-976, 37 FCC Rcd 10727 (WCB 2022) which extended the installation deadline to September 30, 2023.

that the last 39 access points were delivered on September 28, 2023, and the Beneficiary’s intent was to have these installed by September 30, 2023. However, its contract with the Service Provider did not include installation, and installation required extra engineering and special work that the Beneficiary had not anticipated. The Beneficiary did not provide an explanation for the other six access points.

**Effect**

The Beneficiary did not install \$81,916 of the equipment it purchased by the September 30, 2023, installation deadline and did not submit a service delivery extension request to USAC. As a result, the monetary effect for this finding is \$69,629 (\$81,916 multiplied by the Beneficiary’s 85 percent discount rate).

Support Type	Monetary Effect	Recommended Recovery
Internal Connections FRN 2199042061	\$69,629	\$69,629

**Recommendations:**

We recommend that:

1. USAC management seek recovery of the amounts identified in the Effect section above.
2. The Beneficiary implement controls to ensure that it requests a service delivery extension from USAC if it is unable to install equipment by the funding year service delivery deadline for the applicable funding year.

**Beneficiary Response**

*Thank you for the opportunity to respond. Jefferson County Public Schools worked with the service provider and manufacturer to acquire a few (39) remaining access points in question by the deadline. Leadership determined, at the time, to proceed with the order to best serve our students by providing robust Wi-Fi service to schools needing the access points. This case is highly unusual in that the access points were ordered on the FRN toward the end of the service delivery window. Though, at the time, the manufacturer and service provider ensured [sic] us they would be able to deliver even considering supply chain delays. After discussing with the service provider and manufacturer, we were advised the FRN included delivery of the equipment, but not installation. Based on our understanding, the access points were delivered within the scope of the FRN and by the deadline.*

### Auditor Response

Although the access points were delivered before the service delivery deadline, they were not installed before the deadline, as required by FCC Rules. Accordingly, our position regarding this finding has not changed.

### Criteria

Finding	Criteria	Description
1	47 C.F.R. § 54.507(d)(4) (2020)	<p><i>(4) The deadline for implementation of all non-recurring services will be September 30 following the close of the funding year. An applicant may request and receive from the Administrator an extension of the implementation deadline for the non-recurring services if it satisfies one of the following criteria:</i></p> <p><i>(i) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized;</i></p> <p><i>(ii) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized;</i></p> <p><i>(iii) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or</i></p> <p><i>(iv) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates the application for program compliance.</i></p>
1	<i>Schools and Libraries Universal Support Mechanism, CC Docket No. 02-6, Order, DA 22-976, 37 FCC Rcd 10727, 10727, para. 1 (WCB 2022)</i>	<p><i>To provide relief to E-Rate program participants affected by this unprecedented national pandemic, we waive section 54.507(d)(4) of the Commission's rules and <u>extend the service implementation deadline to September 30, 2023 for certain funding year 2020 and 2021 applicants with non-recurring service deadlines that expire on September 30, 2022.</u></i></p>

***Sikich CPA LLC***

**Attachment M**

**SL2024LR016**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**NORTH SLOPE BOROUGH SCHOOL DISTRICT**

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

**USAC AUDIT No. SL2024LR016**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
NORTH SLOPE BOROUGH SCHOOL DISTRICT  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

**September 5, 2024**

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> (referred to as “Sikich” or “we”) audited the compliance of North Slope Borough School District (Beneficiary), Billed Entity Number (BEN) 145629, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Beneficiary. Our responsibility is to make a determination regarding the Beneficiary’s compliance with FCC Rules based on our audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis: 1) evidence supporting the competitive bidding process undertaken to select the Beneficiary’s service providers, and 2) data used to calculate the discount percentage and the type and amount of services received. It also included performing other procedures we considered necessary to make a determination regarding the Beneficiary’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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<sup>1</sup> 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”).

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

**Audit Results**

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

**Purpose, Background, Scope, and Procedures**

The purpose of the audit was to determine whether the Beneficiary complied with FCC Rules for Funding Year (FY) 2022. The Beneficiary is a school district located in Utqiagvik, Alaska, that serves more than 2,000 students.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Beneficiary for FY 2022 as of January 29, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Data Transmission and/or Internet Access	\$5,144,580	\$4,104,659
<b>Total</b>	<b>\$5,144,580</b>	<b>\$4,104,659</b>

The “amount committed” total represents one FCC Form 471, *Description of Services Ordered and Certification Form*, application submitted by the Beneficiary for FY 2022 that resulted in seven Funding Request Numbers (FRNs). We selected a sample of three of the FRNs,<sup>2</sup> which represent \$3,568,320 of the funds committed and \$2,878,679 of the funds disbursed during the audit period. Using this sample, we performed the audit procedures enumerated below.

**A. Application Process**

We obtained an understanding of the Beneficiary’s processes relating to the E-Rate program. Specifically, to determine if the Beneficiary used the funding in accordance with FCC Rules, we examined documentation to verify whether the Beneficiary used the funding effectively and whether it had adequate controls in place. We conducted inquiries and inspection of documentation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which it requested funding. We also conducted inquiries to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated the accuracy of the discount percentage.

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<sup>2</sup> Our sample included FRNs 2299025146, 2299025143, and 2299025149.



**B. Competitive Bid Process**

We obtained and examined documentation to determine whether the Beneficiary: 1) properly evaluated all bids received, and 2) considered the price of the eligible services as the primary factor when selecting service providers. We also obtained and examined evidence to determine whether the Beneficiary waited the required 28 days from the date the FCC Form 470, *Description of Services Requested and Certification Form*, was posted on USAC’s website before signing the contract with its selected Service Provider. Additionally, we examined the selected Service Provider contract under which all sampled services were provided to determine whether it was properly executed.

**C. Invoicing Process**

We obtained and examined invoices for which USAC disbursed payment to determine whether the services identified on the FCC Form 474s, *Service Provider Invoice* (SPI) Forms, and corresponding selected Service Provider bills were consistent with the terms and specifications of the selected Service Provider agreement. We also examined documentation to determine whether the Beneficiary paid its non-discounted share.

**D. Beneficiary Location**

We conducted inquiries to determine whether the services were located in eligible facilities and used in accordance with FCC Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which it requested funding and evaluated the cost-effectiveness of the services purchased to determine whether the Beneficiary used the funding in an effective manner.

**F. Reimbursement Process**

We obtained and examined invoices that the selected Service Provider submitted to USAC for reimbursement and performed procedures to determine whether the selected Service Provider had properly invoiced USAC. Specifically, we reviewed invoices associated with the SPI Forms for services provided to the Beneficiary. We verified that the services identified on the SPI Forms and corresponding selected Service Provider bills were consistent with the terms and specifications of the selected Service Provider agreement and were eligible in accordance with the E-Rate Eligible Services List.

*Sikich CPA LLC*

**Attachment N**

**SL2024SP010**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**PERFORMANCE AUDIT**

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**CP GREEN HILLS, LLC**

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

**USAC AUDIT No. SL2024SP010**



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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
CP GREEN HILLS, LLC  
COMPLIANCE WITH THE FEDERAL UNIVERSAL SERVICE FUND  
E-RATE SUPPORT MECHANISM RULES**

**Executive Summary**

August 27, 2024

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

Dear Ms. Delmar:

Sikich CPA LLC<sup>1</sup> (referred to as “Sikich” or “we”) audited the compliance of CP Green Hills, LLC (Service Provider), Service Provider Identification Number (SPIN) 143045315, for Funding Year (FY) 2022, using regulations and orders governing the federal Universal Service E-Rate program, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, Federal Communications Commission [FCC] Rules). Compliance with FCC Rules is the responsibility of the Service Provider. Our responsibility is to make a determination regarding the Service Provider’s compliance with FCC Rules based on the audit.

We conducted this performance audit in accordance with our contract with the Universal Service Administrative Company (USAC) and Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the type and amount of services and equipment that the Service Provider provided to E-Rate applicants in the states of Tennessee, Alabama, Louisiana, and Mississippi (selected Beneficiaries), as well as performing other procedures we considered necessary to make a determination regarding the Service Provider’s compliance with FCC Rules. The evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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

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<sup>1</sup> 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”).

investigations. This report is intended solely for the use of USAC, the Service Provider, and the FCC and should not be used by those who have not agreed to the procedures and accepted responsibility for ensuring that those procedures are sufficient for their purposes. This report is not confidential and may be released to a third party upon request.

**Audit Results and Recovery Action**

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

**Purpose, Background, Scope, and Procedures**

The purpose of the audit was to determine whether the Service Provider complied with FCC Rules for FY 2022. The Service Provider is headquartered in Nashville, Tennessee, and provides managed internal broadband services and internal connections to customers in Tennessee, Alabama, Louisiana, and Mississippi.

The following chart summarizes the E-Rate support amounts committed and disbursed to the Service Provider as of January 29, 2024, the date that our audit commenced.

Service Type	Amount Committed	Amount Disbursed
Managed Internal Broadband Services	\$127,736	\$123,761
Internal Connections	\$50,662	\$50,662
<b>Total</b>	<b>\$178,398</b>	<b>\$174,423</b>

The “amount committed” total represents 14 FCC Form 471, *Description of Services Ordered and Certification Form* applications, submitted by Beneficiaries for FY 2022 that resulted in 14 Funding Request Numbers (FRNs). We performed testing on all 14 of the FRNs,<sup>2</sup> which represent \$178,398 of the funds committed and \$174,423 of the funds disbursed during the audit period. For each FRN, we performed the audit procedures enumerated below.

**A. Eligibility Process**

We obtained an understanding of the Service Provider’s processes governing its participation in the E-Rate program. Specifically, we conducted inquiries with the Service Provider and the selected Beneficiaries and examined documentation to determine whether equipment and services were eligible for E-Rate funding and had been delivered and installed in accordance with FCC Rules. We obtained an understanding of the Service Provider’s operations and background. We also conducted inquiries and examined documentation to determine if the Service Provider was eligible to provide E-Rate equipment and services.

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<sup>2</sup> Specifically, we tested FRNs 2299050345, 2299011562, 2299051115, 2299031105, 2299041090, 2299051123, 2299041464, 2299034661, 2299016012, 2299021420, 2299042127, 2299042307, 2299025651, and 2299021373.

**B. Competitive Bid Process**

We reviewed the Service Provider’s contracts with the selected Beneficiaries to determine whether the contracts were properly executed. We evaluated the services and equipment requested and purchased to determine whether the Service Provider provided the services and equipment that the selected Beneficiaries requested in their FCC Form 471s.

**C. Billing Process**

We reviewed the FCC Form 472s, *Billed Entity Applicant Reimbursement (BEAR)* Forms, and FCC Form 474s, *Service Provider Invoice (SPI)* Forms, for which USAC disbursed payment to determine whether the services and equipment identified on the BEAR Forms and SPI Forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider’s contracts and were eligible in accordance with the E-Rate Eligible Services List. We also examined documentation to determine whether the Service Provider charged the selected Beneficiaries the lowest corresponding price charged for similar services provided to similarly situated non-residential customers.

**D. Reimbursement Process**

We obtained and examined the BEAR Forms and SPI Forms that the Service Provider and the selected Beneficiaries submitted to USAC for reimbursement for the services and equipment delivered to the selected Beneficiaries, then performed procedures to determine whether the Service Provider and/or the selected Beneficiaries had properly invoiced USAC. Specifically, we reviewed Service Provider bills associated with the BEAR Forms and SPI Forms for services and equipment provided to the selected Beneficiaries. We also determined whether the Service Provider issued credits on its bills to the selected Beneficiaries.

*Sikich CPA LLC*