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Universal Service Administrative Co.

Audit and Assurance Division

High Cost Audits and Assessments
Overview, Process, and Common Findings

Universal Service Administrative Co.

Agenda

- Audit and Assurance Division (AAD) Overview
  - Payment Quality Assurance (PQA)
  - Supply Chain Audit Program (SCAP)
  - Beneficiary and Contributor Audit Program (BCAP)
- Audit and Assessment Process
- High Cost Common Findings
  - Legacy Funds
  - Modernized Funds
- Key Takeaways

Audit and Assurance Division (AAD) Overview

- **Payment Quality Assurance Assessment Program (PQA)**

  Designed to assess the estimated rates of improper payments in accordance with the Payment Integrity Information Act of 2019 (PIIA) (not audits)

- **Supply Chain Audit Program (SCAP)**

  Designed to assess compliance with the Federal Communications Commission (FCC) rules, orders, and program requirements (FCC Rules) related to protecting the communications supply chain

- **Beneficiary and Contributor Audit Program (BCAP)**

  Designed to assess compliance with FCC rules and safeguard the USF

Note: The High Cost Program team performs its own program integrity assurance reviews (not audits or assessments).

Audit and Assurance Division (AAD) Overview

PQA	SCAP	BCAP
Determines improper payment rates for USF programs	Assesses compliance with FCC Rules as it relates to national security threats to the communications supply chain	Assesses compliance with FCC Rules for USF programs
Evaluates the accuracy of data submitted for USF purposes and USAC's internal disbursement processes (a high-level review)	Evaluates whether program participants have used USF funds and federal subsidies to purchase any equipment or services provided or manufactured by Covered Companies	Evaluates the accuracy of data submitted for USF purposes (a detailed review)
Identifies improper payments that must be recaptured and prompts other corrective actions to decrease improper payments	Recommends recovery of support for FCC rule violations and identifies other corrective actions to increase compliance	Recommends recovery of support (for beneficiary audits) or additional contribution obligations (for contributor audits) for FCC rule violations and identifies other corrective actions to increase compliance
Deters waste, fraud, and abuse		
Identifies FCC Rules that may require the attention of USAC or FCC management		



Audit/Assessment Process

Audit/Assessment Process

There is a three-phase process:



Audit/Assessment Process

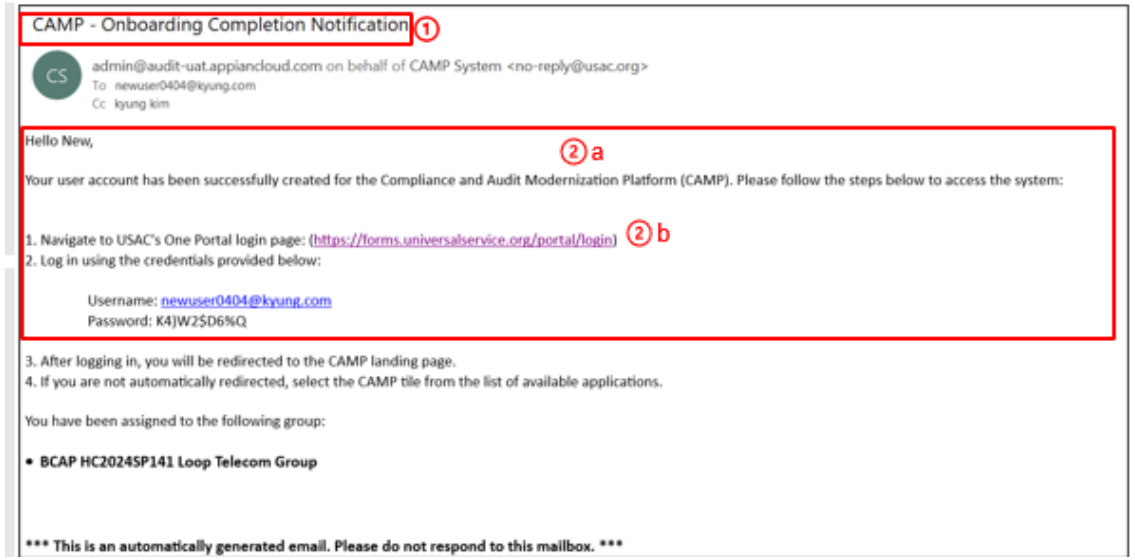
Planning

- Announcement letter
- Entrance conference (N/A for PQA)
- Initial documentation requests

Audit/Assessment Process

Compliance and Audit Management Platform (CAMP) - Planning

- CAMP is an integrated solution that supports document sharing.
  - Your USAC point of contact will work with you to grant you access to CAMP
  - You will get an email with a link to upload the requested documents
    - CAMP is a secure portal
  - You can communicate with the team via CAMP
    - Auditee Workspace -Manage Ad Hoc Task Screen
      - Review/completing Ad Hoc Task
      - Create Ad Hoc Task


CAMP - Onboarding Completion Notification ①

CS admin@audit-uat.appiancloud.com on behalf of CAMP System <no-reply@usac.org>
To newuser0404@kyung.com
Cc kyung kim

Hello New,

②a

Your user account has been successfully created for the Compliance and Audit Modernization Platform (CAMP). Please follow the steps below to access the system:

1. Navigate to USAC's One Portal login page: (https://forms.universalservice.org/portal/login) ②b
2. Log in using the credentials provided below:

Username: newuser0404@kyung.com
Password: K4)W2$D6%Q

3. After logging in, you will be redirected to the CAMP landing page.
4. If you are not automatically redirected, select the CAMP tile from the list of available applications.

You have been assigned to the following group:

- **BCAP HC2024SP141 Loop Telecom Group**

***** This is an automatically generated email. Please do not respond to this mailbox. *****

Audit/Assessment Process

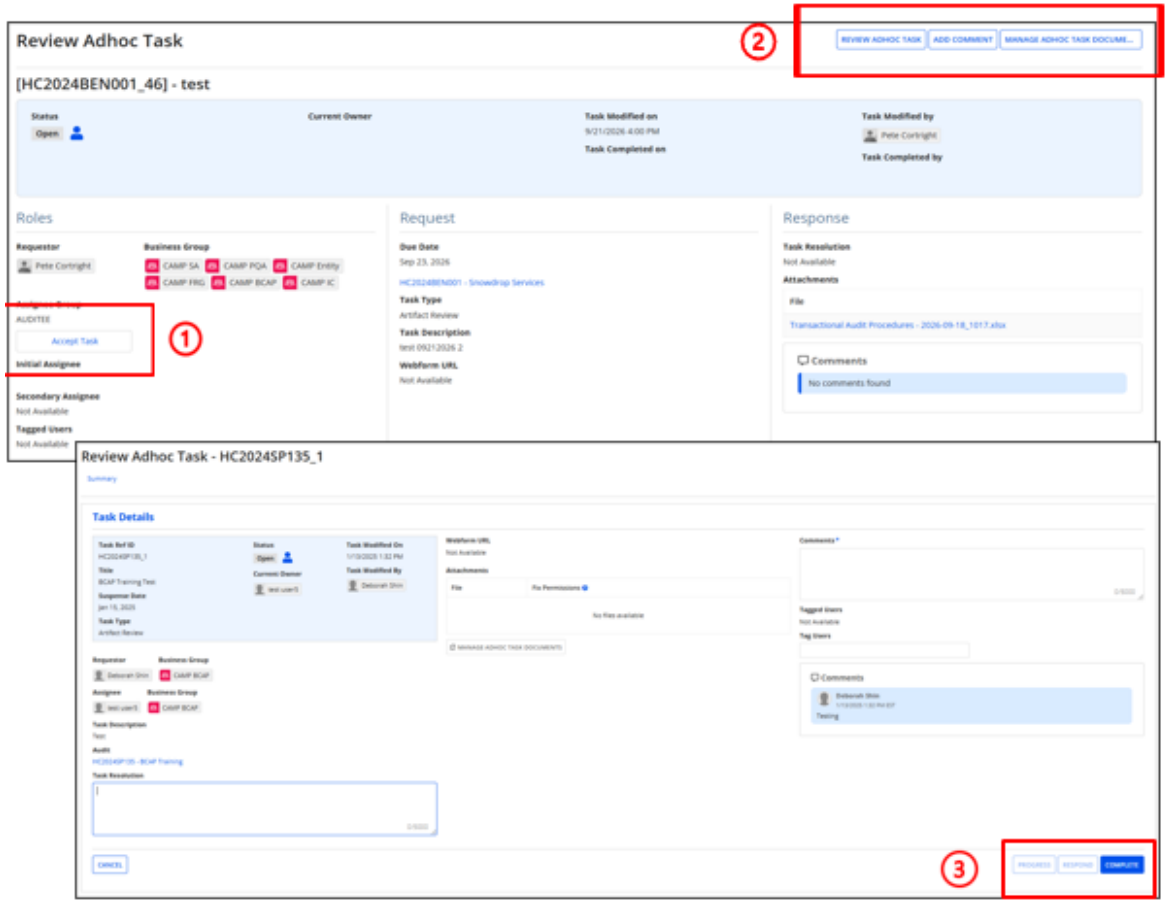
Fieldwork

- Testing
  - Site visit, if applicable
    - Modernized Funds required
- Quality assurance review

Audit/Assessment Process

CAMP - Fieldwork

- You can communicate with the team via CAMP
  - Auditee Workspace -Manage Ad Hoc Task Screen
    - Review/completing Ad Hoc Task
    - Create Ad Hoc Task



Audit/Assessment Process

Reporting

- Exit conference (N/A for PQA)
- Response to findings
- Audit report/Assessment closure letter
- Post audit/assessment survey

Audit/Assessment Process

- Conclusions
  - Finding – FCC rule violation
  - Other Matter – not an FCC rule violation but the issue warrants attention

Audit/Assessment Process

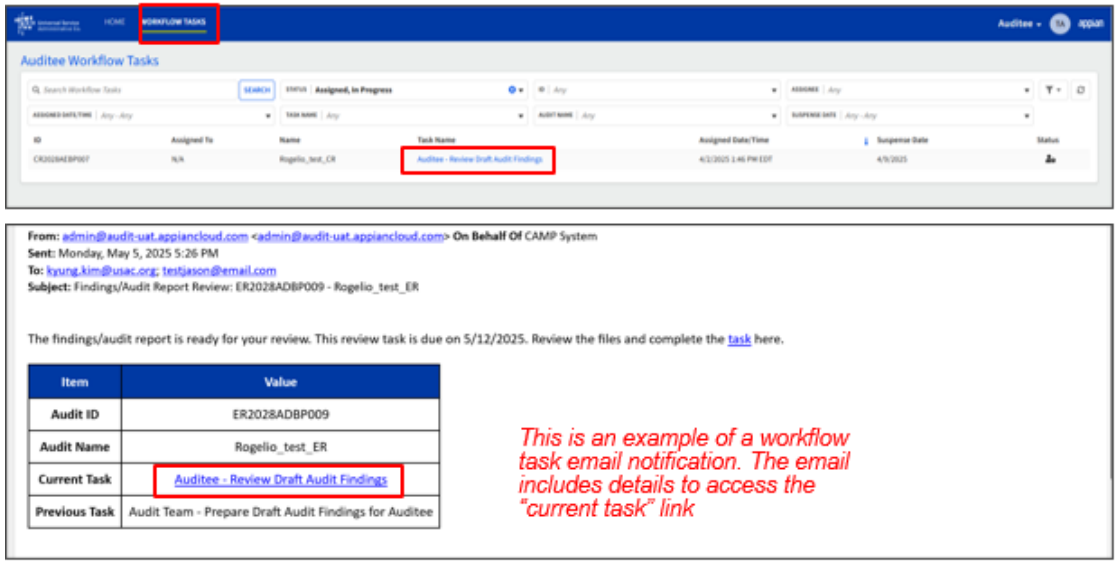
- Estimated Audit/Assessment Duration
  - PQA Assessment – 4 months
  - SCAP Audit – 8 months
  - BCAP Audit:
    - High Cost - CAF ICC and Avg Schedule - 6 months
      High Cost Legacy – Cost Company - 15 months
      High Cost Modernized - 6 -12 months (depending on number of SACs and locations selected)

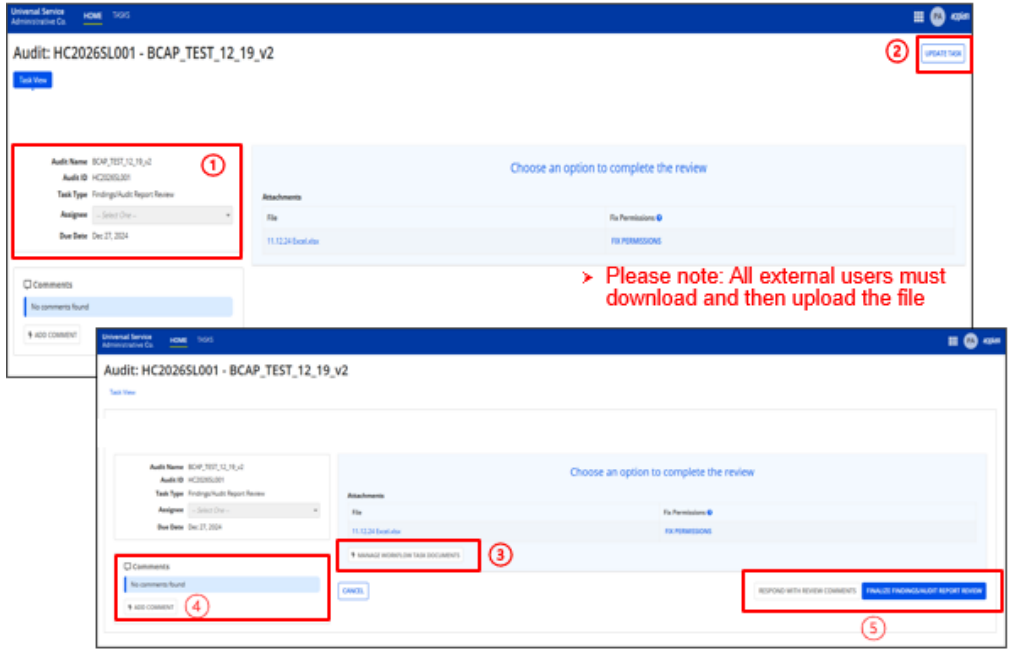
*Note: The above audit/assessment durations are estimates. The length of an audit/assessment depends on may factors, including the timeliness of providing documentation to AAD, complexity of documentation being reviewed, and audit issues encountered.

Audit/Assessment Process

CAMP - Reporting

- You can communicate with the team via CAMP
  - Auditee Workspace –Workflow Tasks





Audit/Assessment Process

Tips for an Effective and Efficient Audit or Assessment

1. Provide documentation in a **TIMELY** manner.
2. Ask **QUESTIONS** to ensure you are providing adequate documentation.
3. Keep accurate **RECORDS** of all data submitted and properly **LABEL** such records.
4. Provide **RECONCILIATIONS** for any conflicting or unclear information in reporting.
5. Include your **NECA** regional representative and/or cost consultant, as applicable.
6. For modernized audits, carrier representative **REQUIRED** for site visits, which will occur after the final milestone.
7. Always **DOCUMENT** everything!

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Audit/Assessments ~~Results~~

High Cost Common Findings

Legacy and Modernized Funds

Universal Service Administrative Co.

Legacy Funds: Inadequate Documentation / Inaccurate Data

- Documentation provided does not match the transaction value.
- Insufficient supporting documentation for affiliate transactions, cost study balances and adjustments, and expenses
- Reporting Errors (misapplication of rules)
- Insufficient Continuing Property Records (CPRs)
  - CPRs require the "identity, vintage, location and original cost of units of property" and "the description, location, date of placement, the essential details of construction and the original cost of the property record units."

Legacy Funds: Misclassified Transactions or Counts

- Supporting documentation or physical observation that identifies the transaction was recorded in the incorrect account.
  - Assets recorded as expenses or vice versa
  - Inventory items recorded as plant in use
  - Miscategorized access lines or loops

Legacy Funds: Inaccurate Depreciation Calculation

- Using month end balances to calculate depreciation
- Retired assets not removed and/or asset additions not included
- Formula errors in the calculation
- Using a rate that is not applicable to that asset type
- Using a rate that was not approved by the state commission, where applicable

Legacy Funds: Lack of Documentation

- Missing documentation for a particular transaction
- Not maintaining accurate records for 10 years from receipt of funding

Legacy Funds: Improper Inclusion of Ineligible Transactions

- Inclusion of costs not necessary for the provision, maintenance, or upgrading of facilities and services for which the support is intended.
- Improper inclusion of ineligible items, allocation of non-regulated assets or expenses or unallowable expenses.

Modernized Funds: Locations Did Not Meet Public Interest Obligations

- No broadband service available at the location certified in the HUBB portal.
- Service available to the location does not meet the minimum download or upload speeds or latency requirements.
- Location does not meet the requirements to be an eligible location in the HUBB.

Modernized Funds: Inaccurate Location Information Reported in the HUBB Portal

- Supporting documentation or physical observation identifying that the location certified in the Hubb portal:
  - Had an incorrect address,
  - Had an incorrect geocodes,
  - Or both.

Post Audit Activities

- USAC conducts common audit findings webinars and other outreach efforts.
- Audit/assessment findings identified could result in follow-up work for years before and/or after the audit/assessment period tested.

Key Takeaways

Tips for a Successful Audit or Assessment

1. **Perform Quality Checks**. Review reported data for accuracy prior to submitting it to USAC. Check specific data, not just summaries of data.
2. **Get Organized.** Retain sufficient documentation to demonstrate compliance with FCC Rules.
3. **Research.** Stay abreast of updates on FCC Rules and High Cost program requirements.
4. **Document, document, document.** Develop, review, and update policies and procedures, as necessary.
5. **Questions.** Contact USAC's Audit and Assurance team via email, CAMP or auditinquiry@usac.org.

Questions?

Questions? Stay Connected



Jeanette Santana-Gonzalez, CPA, CGFM, CFE

Senior Director | Audit and Assurance Division

Jeanette has 22 years of combined regulatory compliance auditing, financial auditing and other review experience. In her current role, she oversees performance/compliance audits conducted over the Universal Service Fund (USF) programs and contributions (BCAP Team), and works as a trusted partner with the FCC, USAC leadership and other key stakeholders to improve program integrity related to the USF.

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auditinquiry@usac.org

https://www.usac.org/about/appeals-audits/

Appendix: CAMP Auditee User Guide



Thank You!

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