



Audit & Assurance Business Update

Audit Committee Meeting

January 25, 2021



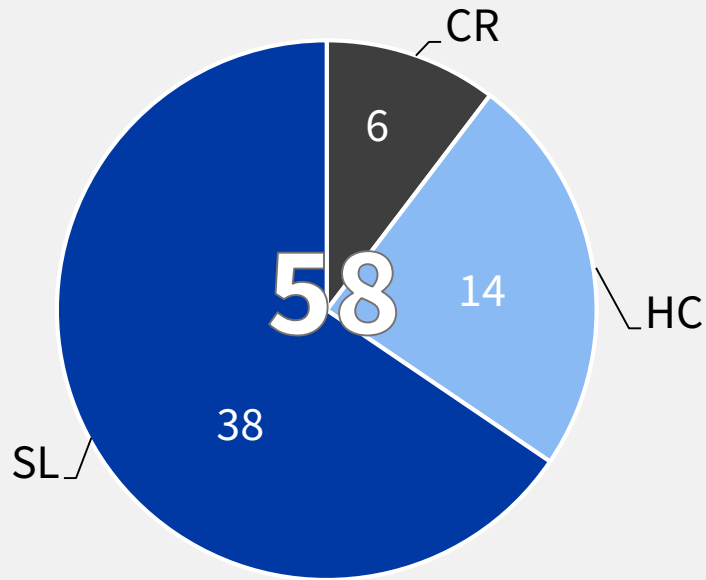
**Universal Service
Administrative Co.**

Available For Public Use

2020 Operational Results

October 1, 2019 – September 30, 2020

AUDITS RELEASED

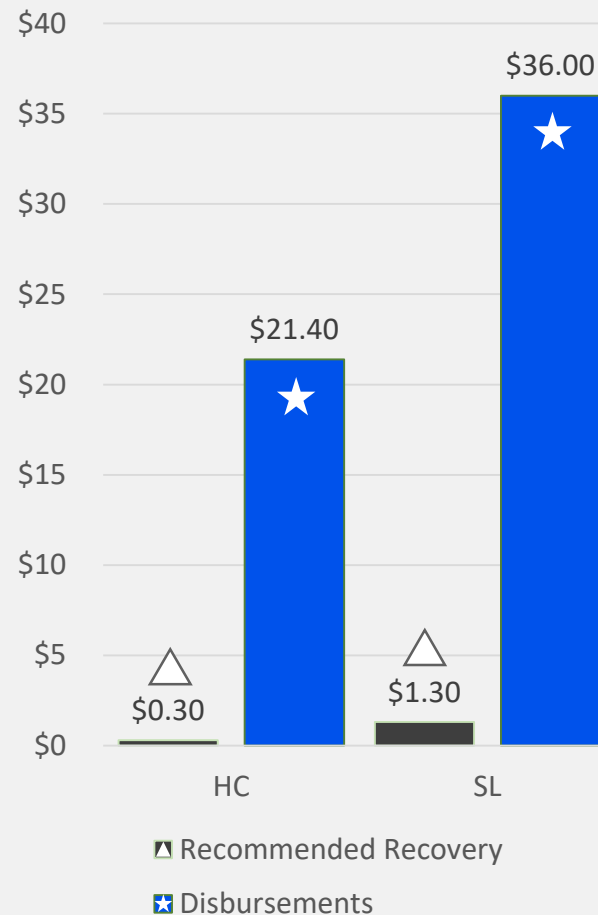


NEW/NOVEL FINDINGS

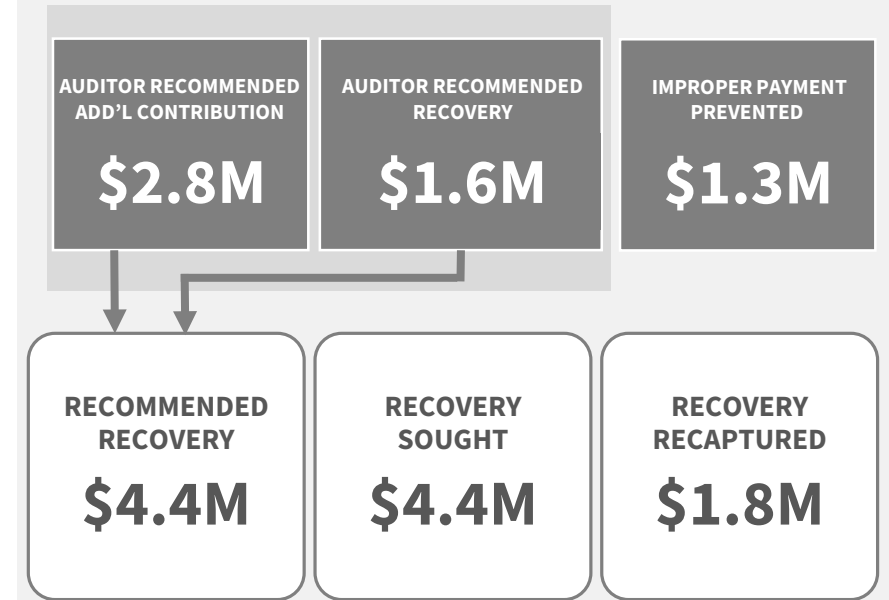


AUDITS REFERRED TO FCC: 3

AUDITOR RECOMMENDED RECOVERY vs DISBURSEMENT AMOUNT (\$ MIL)



FISCAL YEAR FINANCIAL RESULTS



PQA IMPROPER PAYMENTS

Program	Cases	IPERIA \$
HC	180	\$29,987
LI	250	\$19,735
SL	375	\$3,228,869
RH	400	\$3,127,945
Total	1,205	\$6,406,536

Operational Results – Notable Findings

October 1, 2019 – September 30, 2020

High Cost

- Funds not used for High Cost purposes
 - Beneficiary used High Cost support for unallowable activities that are not permitted by FCC Rules.
- Improper calculation of exogenous costs
 - Beneficiary did not use its data from the correct year and incorrectly reported its exogenous cost.

Operational Results – Notable Findings *(continued)*

October 1, 2019 – September 30, 2020

E-rate

- Children’s Internet Protection Act (CIPA) Violations
 - Consortia lead did not collect FCC Forms 479 for its members.
- Inadequate Competitive Bidding Process
 - Beneficiary considered non-price factors when awarding scores in the Price category during the bid evaluation.

Operational Results – Notable Findings *(continued)*

October 1, 2019 – September 30, 2020

E-rate *(continued)*

- Lack of/Inadequate Documentation
 - Beneficiary did not provide documentation for the audit.
 - The state awarded contracts to service providers but the Beneficiary did not conduct a mini-bid.*
- Service Provider or Beneficiary Over-Invoiced SLP
 - Beneficiary did not receive reimbursement from defunct Service Provider.
 - Defunct Service Provider did not provide services during the funding year and did not reimburse the Beneficiary

*Note: The new/novel finding were identified in two audits that were released at the same time.

Operational Results – Top Findings

October 1, 2019 – September 30, 2020

Contributor Revenue - BCAP

Count	Finding Category
1	Customer Category - End User vs. Reseller
2	Non-Telecommunications and Information Service Revenue(s)
3	Private Line Revenue(s)
4	Universal Service Contributions Recovery Revenues(s)
5	Toll Service Revenues(s)

E-rate - BCAP

Count	Finding Category
1	Service Provider or Beneficiary Over-Invoiced SLP
2	Lack of/Inadequate Documentation
3	Inadequate Competitive Bidding Process
4	CIPA Violations
5	Equipment Not in Use/Not Installed

High Cost - BCAP

Count	Finding Category
1	Lack of/Inadequate Documentation
2	Inaccurate Data
3	Improper Allocation Methodology
4	Not Used for High Cost Purposes
5	Inaccurate/Misclassified Access Line/Loop Counts

Operational Results – Top Findings

October 1, 2019 – September 30, 2020

High Cost - PQA

Count	Finding Category
1	Inaccurate Data

E-rate - PQA

Count	Finding Category
1	Service Provider or Beneficiary Over-Invoiced SLP
2	Recipient of Service Error
3	Lack of/Inadequate Documentation
4	Inadequate Competitive Bidding Process
5	Ineligible Locations

Lifeline - PQA

Count	Finding Category
1	Improper Non-Usage Process
2	Lack of/Inadequate Documentation
3	Ineligible Subscriber
4	Duplicates

Rural Health Care - PQA

Count	Finding Category
1	Service Provider or Beneficiary Over-Invoiced SLP
2	Lack of/Inadequate Documentation
3	Inaccurate or Inadequate Rate Determination

Operational Results – Top Findings PQA

October 1, 2019 – September 30, 2020

Program	Comment
High Cost	The High Cost improper payments results are for the legacy funds. The findings are primarily related to the supporting documentations information provided by the carriers are different from the financial information reported to NECA.
Lifeline	The top finding relates to carriers' inability to demonstrate subscribers' usage of the Lifeline service.
E-rate	The finding primarily relates to service providers' noncompliance with the lowest corresponding price rules including maintenance of the internal procedures by the carriers that ensures application of the lowest corresponding price.
Rural Health Care	The top two findings relate to the lack of or inadequate documentation to support information reported on FCC forms as well as invoice information that does not match the information from the approved application.