

# Document Retention Requirements

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All E-Rate program participants – applicants, service providers and consortia – are required to maintain documentation that demonstrates compliance with the statutory or regulatory requirements for all E-Rate program purchases of service and equipment for a period of 10 years after the latter of the last day of the applicable funding year or the service delivery deadline for the funding request. Examples of such documentation include competitive bidding materials, program forms, contracts, and asset and inventory records of equipment purchased as components of supported Category Two services.

The FCC first established document retention requirements for school and library applicants and service providers in the Fifth Report and Order (FCC 04-190) and provided an illustrative list of examples of the types of documents that should be retained. The FCC extended the document retention period to 10 years in the E-Rate Modernization Order (FCC 14-99) and clarified that the record retention and audit requirements apply to all program participants including any consortium that includes schools and libraries.

Generally, the last date to receive service is considered the final day of the funding year. For example: For FY 2024, the upcoming funding year, the last date to receive recurring service is June 30, 2025. All documents related to FY 2024 must be kept through June 30, 2035. For multi-year contracts, contract documentation and bids must be kept 10 years from the last date of service under the contract, even if the contract was competitively bid 15 years ago. For example: If a five year contract started July 1, 2022 and expires June 30, 2027, all documents related to this contract, including original competitive bidding documents, must be kept through June 30, 2037.

Examples of the required documents to keep are:

- **Pre-bidding Process.** Beneficiaries must retain all pre-bidding documents, for example, if consultants are involved, beneficiaries must retain signed copies of all written agreements with such consultants.
- **Bidding Process.** All documents used during the competitive bidding process such as Request(s) for Proposal or equivalent, documents describing the bid evaluation criteria, weighting, and evaluation worksheets; all written correspondence between the beneficiary and prospective bidders, all bids submitted (both winning and losing), and documents related to the selection of service provider(s). Service providers participating in the bidding process that do not win the bid need not retain any documents.
- **Contracts.** Both beneficiaries and service providers must retain executed contracts, signed and dated by both parties. All amendments and addendums to the contracts must be retained.
- **Application Process.** Beneficiaries must retain all documents used to submit the FCC Form 471, including National School Lunch Program eligibility; documents to support the necessary resources certification including budgets.
- **Purchase and Delivery of Services.** Beneficiaries and service providers should retain all documents related to the purchase and delivery of E-Rate eligible services and equipment.
- **Asset Inventory.** Schools, libraries, and consortia must maintain asset and inventory records of equipment purchased as components of supported Category Two services (internal connections,

managed internal broadband services, and basic maintenance of internal connections), sufficient to verify the actual location of such equipment for a period of 10 years after purchase.

- **Invoicing.** Both service providers and beneficiaries must retain all invoices including records proving payment of the invoice, such as accounts payable records, service provider statement, beneficiary check, bank statement or ACH transaction record, as applicable.
  - Service providers and applicants should also maintain a reconciliation worksheet that includes: Service provider bill number, billed product or service, quantity and cost per unit, extended billed amount, and sum of all the extended bill amounts that agrees to the total undiscounted amount, so that amount for equipment or service requested on the BEAR form can be traced to the actual copies of the service provider bills.

Service Provider Bills				
Service Provider Bill #	Billed Service/Product	Billed Qty	Billed Per Unit Cost	Billed Extended Cost
INV101	Product A	5	\$ 10.00	\$ 50.00
INV102	Product B	5	\$ 15.00	\$ 75.00
INV103	Product C	5	\$ 20.00	\$ 100.00
INV104	Product D	5	\$ 25.00	\$ 125.00
INV105	Product E	5	\$ 30.00	\$ 150.00
<b>Total Eligible (undiscounted) Amount for Service on BEAR</b>				<b>\$ 500.00</b>

- **Inventory.** Beneficiaries must retain asset and inventory records of equipment purchased and components of supported internal connections services sufficient to verify the location of such equipment. Beneficiaries must also retain detailed records documenting any transfer of equipment.
- **Forms and Rule Compliance.** All program forms, attachments and documents submitted to USAC must be retained by applicants and service providers.

Note that FCC rules may have changed over the years so the descriptive list above is provided as a guideline but cannot be considered exhaustive. Use the **E-Rate Program List of Documents to Retain for Audits and to Show Compliance with Program Rules** as a guide to understand the types of documents that should be retained.

According to SLD, the top five missing documents identified during site visits and audits are:

- Discount verification (NSLP, survey, etc.)
- Asset listing not maintained or updated
- Signed and dated contracts
- Missing invoices and cancelled checks
- Bid evaluation documentation



## E-Rate Program List of Documents to Retain for Audits and to Show Compliance with Program Rules

E-Rate program rules require program participants to retain all documents demonstrating compliance with the rules 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. This list provides guidance regarding the types of E-Rate program documents that should be retained by all program participants – school and library applicants, service providers, and consortia – to comply with FCC audit and [document retention](#) requirements. **Not** all documents may apply to every participant and the list is not an exhaustive list. Service providers should also review this list and “Additional Guidance for Service Providers” later in this document to ensure they retain documentation requested during audits and to demonstrate compliance with E-Rate rules.

Applicant Eligibility	
Schools	<p>Documentation that supports that the entities receiving discounted services are eligible for E-Rate.</p> <p>Accreditation, Charter, or other documentation that supports that the entities receiving discounted services meet the state’s definition of elementary or secondary school.</p> <ul style="list-style-type: none"> <li>State website printout, matching records</li> </ul>
Libraries	<p>Documentation that shows entities receiving discounted services are eligible to receive funds from a state library administrative agency under the Library Services and Technology Act (LSTA).</p>
Non-public Schools or Libraries	<p>Documentation that supports that the school or library is a non-profit entity.</p>
Tribal School	<p>Documentation that supports that the entities receiving discounted services are eligible for E-Rate.</p> <p>Accreditation, Charter, or other documentation that supports that the entities receiving discounted services meet the state’s definition of elementary or secondary school.</p> <ul style="list-style-type: none"> <li>State website printout, matching records</li> </ul>
Tribal Library	<p>Documentation from an authorizing Tribal government entity (such as a charter or ordinance or letter from the Tribal Council)</p> <ul style="list-style-type: none"> <li>That shows that the applicant is designated a library and has the three characteristics of a library, including regular hours, staff, and materials available for library</li> </ul>



	<p>users, OR</p> <ul style="list-style-type: none"> <li>Documentation that shows entities receiving discounted services are eligible to receive funds from a state library administrative agency under the Library Services and Technology Act (LSTA).</li> </ul>
Consortia	<p>Establishing documents and Letter(s) of Agency (LOA) for consortium members.</p> <p>FCC Forms 479, (Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act (CIPA) Form)</p>
Residential Locations	<p>For residential locations receiving E-Rate support, documentation demonstrating the location serves a unique population as defined in the FCC's Sixth Report and Order. For example, location is on Tribal lands; location services students with medical needs; location services students with physical, cognitive, or behavioral disabilities; location where 35 percent or more of the students are eligible for National School Lunch Program (NSLP); or juvenile justice facilities.</p>

FCC FORMS & CERTIFICATIONS		
Document	Applicant	Service Provider
FCC Form 470 (Description of Services Requested and Certification Form)	X	
FCC Form 471 (Description of Services Ordered and Certification Form)	X	
FCC Form 498 (Service Provider and Billed Entity Identification Number and General Contact Information Form)	X	X
FCC Form 472 (Billed Entity Applicant Reimbursement (BEAR) Form)	X	
FCC Form 473 (Service Provider Annual Certification (SPAC) Form)		X
FCC Form 474 (Service Provider Invoice (SPI) Form)		X
FCC Form 479 (Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act Form) consortium members and consortium leaders only	X	
FCC Form 486 (Receipt of Service Confirmation and Children's Internet Protection Act Certification Form)	X	



FCC Form 500 (Funding Commitment Adjustment Request Form)	X	
Delivery confirmations for forms filed outside of EPC (FY2015 and earlier)	X	X

For forms filed in the [E-Rate Productivity Center \(EPC\)](#), you can print/save a PDF copy of forms, notification letters, and correspondence for your records.

USAC LETTERS		
Document	Applicant	Service Provider
FCC Form 470 Receipt Notification Letter (RNL)	X	
FCC Form 471 Receipt Acknowledgment Letter (RAL)	X	X
FCC Form 471 Out Of Window Letter (OOW)	X	
Funding Commitment Decision Letter (FCDL)	X	X
Revised Funding Commitment Decision letter (RFCDLs)	X	X
FCC Form 486 Notification Letter	X	
FCC Form 486 Urgent Reminder Letter	X	
BEAR Remittance Letter or Statements	X	
SPI Remittance Letter or Statements		X
FCC Form 500 Notification Letter	X	
FCC Form 472 (BEAR) Notification Letter	X	
Quarterly Disbursement Reports (QDR)	X	X
Other USAC letters	X	X

COMPETITIVE BIDDING, VENDOR EVALUATION & CONTRACTS		
Document	Applicant	Service Provider
State and local procurement regulations (printout or website reference)	X	
Request for proposals (RFP), public notice, advertisement	X	
All vendor responses & bids received (winning and losing)	X	
Bid evaluation criteria, bid evaluation matrix/ worksheets, bid ratings	X	
Miscellaneous documents related to competitive bidding (memoranda, board minutes, notes to file)	X	



Signed and dated contracts/service agreements/notice of award letters	X	X
Contract amendments/addendums/extensions	X	X
State master contracts (printout or website reference)	X	
Vendor correspondence	X	X
Documentation of any SPIN change request including copy of notice to original service provider	X	X

PROGRAM INTEGRITY ASSURANCE (PIA) REVIEW		
Document	Applicant	Service Provider
Letter of Agency (LOA) for a consortium	X	
Consultant agreement or LOA	X	
Responses to PIA inquiries (email, faxes, customer service case numbers)	X	
Discount eligibility calculation documentation (Supporting worksheets or reports used to populate the discount calculation information) <ul style="list-style-type: none"> <li>• Student count/National School Lunch Program data (Schools)</li> <li>• Library square footage documentation/maps (Libraries)</li> </ul>	X	
Copies of any policies and/or procedures related to the discount calculation process or methodology (i.e., National School Lunch Program (NSLP), surveys, Provision 1, 2, or 3, etc.)	X	
Schools (including Tribal schools) – Documentation of your student counts for the Funding Year	X	
Libraries (including Tribal libraries) – Documentation of your square footage for the Funding Year	X	
Product service eligibility (e.g., warranties, product descriptions, network diagrams, etc.)	X	X
Request to cancel services	X	
Any worksheets or other records relied upon to fill out an application	X	
Any documents that demonstrate compliance with statutory or regulatory requirements	X	



CHILDREN'S INTERNET PROTECTION ACT (CIPA)		
Document	Applicant	Service Provider
Proof of undertaking actions to comply with CIPA (e.g., reasonable public notice, public meeting or hearing minutes)	X	
Documentation supporting that reasonable public notice was given for the public hearing	X	
Filtering documentation (purchase, installation, use)	X	
Internet safety policy or acceptable use policy including documentation of the adoption of the policy	X	
Description of Technology Protection Measure used	X	
A copy of a report (if applicable) or other documentation on the use of the Technology Protection Measure for the funding year(s) subject to audit (i.e., reports from the service provider of Internet sites blocked, bills from the service provider verifying that the filter was operational, etc.)	X	
Consortia Billed Entity – FCC Forms 479 (Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act (CIPA) Form), if CIPA is applicable for those services	X	

SERVICE DELIVERY & INVENTORY MANAGEMENT		
Document	Applicant	Service Provider
Asset register/inventory list including location and disposition of equipment (e.g., replacements, upgrades, transfers, or disposals) including equipment model, serial number, quantity installed, location where originally installed, new location, date of installation/transfer, etc.	X	
Receipt of service/product and installation log (work orders)	X	X
Maintenance log	X	X
Summary of the technology environment and a high-level network diagram/ schematic of equipment	X	
Summary of use of supported service and/or equipment	X	



Any other documentation on the services (such as training and workstations) necessary to make effective use of E-Rate program discounts	X	
Documentation to support any service substitutions	X	X
For Basic Maintenance of Internal Connections (BMIC) – documentation to support that the funded service was received	X	X
For BMIC – Service/Maintenance Logs detailing the eligible maintenance performed on E-Rate eligible equipment	X	X
If E-Rate supported cabling and or circuit drops were installed, a floor plan demonstrating the location of drops and related patch panels and/or switches.	X	
If receiving Managed Internal Broadband Services (MIBS) support, documentation allocating eligible and ineligible equipment and services.	X	

INVOICING & PAYMENTS		
Document	Applicant	Service Provider
Customer bills for supported services	X	X
Proof of payment of discount and non-discount amounts (canceled checks, bank statements) including for consortia members (not consortium lead)	X	X
Reimbursement from vendor verification (For FCC Form 472 (BEAR) forms filed before July 2016)	X	
Detailed procedures for validating/processing service provider bills and submitting invoices to USAC (if applicable)	X	
Reconciliation Worksheet by Funding Request Number (FRN) of service provider bills to invoices submitted to USAC (if applicable) that includes: <ul style="list-style-type: none"> <li>• FRN, service provider bill number, billed product or service, quantity and cost per unit, extended billed amount, and sum of all the extended bill amounts that agrees to the total undiscounted amount, so that amount for equipment or service requested on BEAR/SPI form can be traced to actual copies of service provider bills.</li> </ul>	X	X





Worksheet in lieu of bills, for longer bills (Summary of Bills)		X
Summary of bills certification to use the worksheet instead of actual bills (must keep bills)		X
Documentation showing receipt and deposit of any reimbursement amounts received	X	
Miscellaneous (memos to vendors, notes to file, emails)	X	X
Service certification documentation (submitted during invoicing review)		X

POST-COMMITMENT CHANGE REQUESTS & APPEALS		
Document	Applicant	Service Provider
Appeal request	X	X
Appeals delivery receipt (proof of postmark, fax confirmation, submission date)	X	X
Service substitution request	X	X
Service Provider Identification Number (SPIN) change request	X	X
Documentation of funds returned to USAC	X	X
Invoice deadline extension requests	X	X
Service deadline delivery request (if outside of EPC)	X	X
Transfer of equipment notification (if outside of EPC)	X	

MISCELLANEOUS		
Document	Applicant	Service Provider
Audit documentation (reports of any audits conducted that relate to the E-Rate program or NSLP)	X	X
Copies of financial statements and annual budgets for the funding year(s) under audit review	X	
Copy of the records retention policy	X	X
List of individuals including staff, service providers, and consultants that work on E-Rate program-funding requests, as well as their roles and responsibilities	X	



FCC correspondence	X	X
Policies and procedures regarding the application and procurement process	X	

LEGACY DOCUMENTATION (FOR FUNDING YEAR 2015 AND PREVIOUS YEARS)		
Document	Applicant	Service Provider
PIA Review Item 21 Attachment (online or paper)	X	
TECHNOLOGY PLAN & APPROVAL LETTER		
Written technology plan with creation date	X	
Approved technology plan	X	
Approved technology plan updates	X	
Certified Technology Plan Approver letter (or screen print if approval is maintained online)	X	
Professional development training log	X	
Technology plan training sign-in sheet	X	

**Note:** If the FCC approves an appeal for applications from FY2015 and before, you must keep required documentation 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.

Additional Guidance for Service Providers
USAC also recommends that service providers keep documentation related to:
<p>Copies of policies and procedures, including the following:</p> <ul style="list-style-type: none"> <li>• Policies and procedures for ensuring beneficiaries are charged the lowest corresponding price (Lowest Corresponding Price (LCP) compliance).</li> <li>• Policies and procedures for ensuring employee compliance with the FCC gift rules.</li> <li>• Policies and procedures for ensuring compliance with the FCC document retention rules.</li> <li>• Conflict of interest policy ensuring independence between the service provider's employees and program beneficiaries.</li> <li>• Policies and procedures for ensuring beneficiaries are accurately billed and USAC is accurately invoiced for E-Rate eligible services.</li> </ul>
Documentation of E-Rate-related training provided to employees.
Copies of all equipment and services contracts with program beneficiaries.



<p>A list and description of the service provider’s services offered that are eligible for E-Rate support.</p>
<p>Copies of all correspondence between service provider and program beneficiaries prior to the execution of the contract or agreement for services and throughout the competitive bidding process.</p>
<p>Copies of bills sent to beneficiaries for telecommunications and Internet access services, internal connections, and basic maintenance of internal connections provided.</p> <ul style="list-style-type: none"><li>• Support for the cost allocation for any equipment or services that are partially eligible for E-Rate support.</li></ul>
<p>Schedule reconciling the FCC Form(s) 474 submitted to USAC requesting reimbursement to the eligible services identified on the bills sent to beneficiaries.</p>
<p>Copies of BMIC contracts with the beneficiaries. If the beneficiary is responsible for notifying the service provider for BMIC needs, provide a general description of the process for responding to maintenance requests by beneficiaries.</p>
<p>Copies of all price lists for any audited funding year and the previous three years (if different from the audited funding year), including tariffed prices as applicable, for services offered by the provider.</p>
<p>A list of nonresidential customers (including, but not limited to, other schools, school districts, libraries, consortia and other entities) receiving the same or similar services as the beneficiaries.</p>
<p>Documentation to support that beneficiaries paid their required share of E-Rate supported services (non-discounted portion).</p>
<p>General description of the process for billing beneficiaries and for invoicing USAC requesting reimbursement for services provided, if utilizing SPIs (FCC Form 474).</p>

# E-rate Audits

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Safeguarding the integrity of universal service program activities involves important responsibilities for both USAC and program participants. USAC must take in, process, and evaluate information received from program participants and universal service fund contributors in an accurate, timely fashion. Beneficiaries must provide USAC with full, correct information and comply with program rules.

To ensure the highest level of program integrity, USAC conducts audits of beneficiaries. USAC operates the Beneficiary and Contributor Audit Program (BCAP) and Payment Quality Assurance (PQA) Program.

## **BCAP – Beneficiary and Contributor Audit Program**

USAC is committed to collecting universal service contributions and disbursing payments to program beneficiaries that are accurate, properly documented, and in compliance with rules established by the Federal Communications Commission (FCC).

The Beneficiary and Contributor Audit Program (BCAP) is designed to measure rates of program compliance among universal service beneficiaries and contributors. USAC utilizes audit approaches tailored to both the distinctive features of the participant's organization and the specific amounts of money being audited.

Carried out by auditors trained in universal service contributor and program audit requirements, these audits serve to identify areas of non-compliance with program rules and amounts of recoverable funds. The audits are designed and conducted so as not to impose undue demands in time or energy on program participants. USAC worked closely with the FCC to develop and implement this program.

## **Overview**

The primary purpose of audits is to ensure compliance with FCC rules and program requirements (the Rules) and to assist in program compliance. Audits can be randomly selected or targeted to include a wide variety of entities with regard to size and geographic location. Selection for an audit is not necessarily an indication that USAC believes problems exist.

Beneficiary and service provider audits may be performed by USAC's internal audit staff, the FCC Office of Inspector General, Inspectors General of other federal agencies, or a firm under contract to USAC or the FCC. Please feel free to contact USAC's Audit Team by email at [auditinquiry@USAC.org](mailto:auditinquiry@USAC.org) if you have any concern as to the proper identity of any individual contacting you regarding an audit.

An announcement letter is sent detailing the purpose and scope of the audit, identifying the personnel who will be performing the audit, making a request for pertinent data, and stating the date upon which the documentation is due. Typically a beneficiary will be contacted by USAC two to three weeks prior to the start of an audit to assure that the appropriate personnel and documentation will be available. The anticipated duration of an audit can vary depending on the quantity, size, and dollar value of the funding involved.

## **How USAC Conducts Its Audits**

USAC obtains documentation to support the:

- Applicant eligibility
- Competitive bidding process
- National School Lunch Program (NSLP) discount calculations
- Disbursements
- Children's Internet Protection Act (CIPA)
- Delivery or installation of eligible products and services
- Technology planning, as appropriate (Funding Year 2014 and prior)

To prepare for an audit, applicants should have certain documentation available for the auditors. See USAC Audit Documentation Checklist in this resource manual.

## **Audit Reporting**

A USAC audit may identify conditions that are categorized as an audit finding or an "other matter." An audit finding is a condition that shows evidence of noncompliance with FCC regulations and orders set forth primarily in 47 C.F.R., as well as other program requirements (collectively, the Rules). An "other matter" is a condition that does not necessarily constitute a Rule violation, but warrants the attention of the auditee and USAC management. The audit findings and "other matters" will contain background information, the audit step performed, the condition noted, and the basis for the condition noted. After the audit is completed, an exit conference will be held with the auditee to review the results of the audit and the next steps of the process.

The auditee will be given an opportunity to provide a response to the audit findings and "other matters" (if any) within five business days – unless advised otherwise by the auditor. USAC management will review the auditee's response, and will prepare a response to address the conditions and note corrective actions as necessary.

Both the auditee and USAC management responses will be incorporated into the draft report and submitted to the FCC to be deemed final. Once finalized, the auditee will receive a copy of the audit report. The final report may be made available to the public upon request.

## **Common Audit Findings**

- Entity did not retain documentation to show compliance with competitive bidding requirements
- Entity invoiced USAC for ineligible products or services
- Entity did not pay their non-discounted share to the service provider within 90 days of delivery of service.
- Applicant was not in compliance with CIPA.
- Products or services were received by an ineligible entity.

## **Take the Following Steps to Minimize Audit Findings**

- Document, document, document. Retain appropriate and adequate documentation to support filings, eligibility requirements, data, etc. FCC rules require most beneficiaries to keep documentation for a set number of years (e.g. ten years from disbursement).
- Get organized. Organize your documentation and filings in a logical manner so that transition of responsibilities is seamless.
- Provide sufficient detail on all bills, invoices, and communications with vendors/applicants.
- Review data reported for accuracy prior to submitting to USAC. Check the specifics.
- Ask questions about documentation or data or program requirements. Use USAC as a resource throughout the year.
- Throughout the funding year, obtain copies of necessary documentation (i.e., copies of service provider bills, cancelled checks, contracts, equipment delivery documentation, maintenance documentation, etc.) and keep in a central location.
- Keep equipment inventory up-to-date.
- Perform reconciliation of service provider bills with invoices submitted to USAC using the Form 472

To prepare for an audit, you should have the following documentation readily available for the auditors:

### **Applicant Eligibility**

Documentation to support eligibility, such as:

- For schools - Accreditation, Charter, or other documentation that supports that the entities receiving discounted service meet the state's definition of Elementary or Secondary School
- For libraries – Documentation that shows the entities receiving discounted service are eligible to receive funds from a State library administrative agency under the Library Services and Technology Act (LSTA)
- For non-public schools or libraries – documentation that supports that the school or library is a non-profit entity

### **Competitive Bidding**

Documentation to support competitive bidding, such as:

- Copies of state and local procurement regulations and procedures, if applicable
- Copy of procurement policy and/or procedure
- Overview of the service provider selection process including criteria and weighting of the criteria
- RFPs issued
- Copies of all bids received (winning and losing)
- Written correspondence between the applicant and any prospective bidders
- Bid evaluation documentation including evaluation worksheets
- Meeting minutes, sign-in sheets, and/or meeting agendas where bid evaluation was discussed
- Contracts for supported services
- List of all service providers supplying discounted services including contact information
- Documentation of any SPIN change request including copy of notice to original service provider
- Documentation to support that the selected services and/or equipment was cost effective
- Any other available documentation concerning bid evaluation

### **Discount Calculation**

Documentation to support the discount calculation, such as:

- For individual schools and school districts - Supporting worksheets or reports that were used to populate the discount calculation information

- Copies of any policies and/or procedures related to the discount calculation process or methodology (i.e. – NSLP, surveys, CEP, Provision 1, 2, or 3, etc.)

### **Disbursements**

Documentation to support disbursements, such as:

- Detailed procedures for validating and processing service provider bills and submitting invoices to USAC (if applicable)
- Copies of service provider bills for supported services
- Reconciliation by FRN of service provider bills to invoices submitted to USAC (if applicable)
- Documentation of payment (canceled checks or ACH transfers) for services to service providers
- Documentation showing receipt and deposit of any reimbursement amounts received

### **Children's Internet Protection Act (CIPA)**

Documentation to support compliance with CIPA, such as:

- Copy of the Internet safety policy or acceptable use policy
- Documentation of the adoption of the Internet safety policy
- Documentation supporting that reasonable public notice was given for the public hearing
- A copy of the minutes and the date of the public hearing regarding the Internet safety policy
- A description of the Technology Protection Measure used
- A copy of a report (if applicable) from the Technology Protection Measure for the Funding Year(s) subject to audit ((i.e., reports from the service provider of internet sites blocked, bills from the service provider verifying that the filter was operational, etc.)
- Copies of Forms 479, Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act (CIPA) and/or Forms 486, Receipt of Service Confirmation, as applicable

### **Services**

Documentation to support services, such as:

- Summary of the technology environment and a high-level network diagram
- Summary of the use of the supported service and/or equipment
- Any other documentation on the services (such as training and workstations) necessary to make effective use of Schools and Libraries Program discounts
- List of Schools and Libraries Program supported services and/or equipment including references to vendor bill, USAC invoice, serial number, and current physical location
- Documentation verifying date of receipt of services and/or equipment
- For Basic Maintenance of Internal Connections – documentation to support that the funded service was received
  - For Basic Maintenance of Internal Connections – Service/Maintenance Logs detailing the eligible maintenance performed on E-rate eligible equipment

### **Other**

- Copies of all forms submitted to USAC and all letters/notifications received from USAC
- OMB A-133 audit, if applicable
- Reports of any other audits conducted that relate to either the Schools and Libraries program or the National School Lunch Program (NSLP)

- Copies of financial statements and annual budgets for the Funding Year(s) under review
- Copy of the records retention policy
- List of individuals including staff, service providers, and consultants that work on Schools and Libraries Program- funding requests, as well as their roles and responsibilities
- Any correspondence from or to USAC, the FCC, potential service providers, or any individuals listed above
- For consortia and consultants - Letters of Agency

**Additionally, you should have the following people available to answer questions:**

- Person who managed the bidding and award process
- Person who reviews and approves vendor bills
- Person who prepares invoices
- Person who writes checks, makes deposits, and reconciles the bank account
- Person knowledgeable about the network and the location of equipment

### **Payment Quality Assurance (PQA) Audit Program**

The Payment Quality Assurance (PQA) Program allows USAC to provide the Federal Communications Commission (FCC) with information about improper payments to program beneficiaries, as required by the Payment Integrity Information Act of 2019. (PIIA). Under this program, USAC assesses specific payments made to select beneficiaries in all four programs to determine if these payments were made in accordance with FCC rules. Using results of these assessments, USAC calculates estimates of improper payment rates and provides this information to the FCC.

Pursuant to FCC rules, participation in the PQA Program is compulsory for any universal service beneficiaries selected for assessment. PQA participants should reach out to USAC's PQA Team if they have any questions via email to [pqa@usac.org](mailto:pqa@usac.org).

### **The PQA Process**

When selected, PQA participants receive a letter by email from USAC. This letter will specify the payment under assessment, instructions about what information and documents to gather, and how to submit these materials.

Beneficiaries have 10 business days from the date of the first notification letter to gather and submit the materials requested for carrying out the payment assessment. The time required to produce documents will vary, depending on the volume, complexity, and accessibility of documents requested. Generally speaking, if you need more time, extensions may be obtained by contacting the person who sent you the PQA document request.

PQA participants from the Schools and Libraries Programs will have to submit formal confirmation that they have received and utilized goods and/or services associated with the payment being assessed as well as their eligibility under Federal Communications Commission (FCC) rules for such receipt and use.

### **Follow-Up**



In some cases, USAC will use audit follow-up procedures defined by the Office of Management and Budget to recover funds that are identified as improper payments. PQA processors are available by phone to assist participants with understanding and fulfilling program requirements. A unique case number assigned by USAC is also included in the letter for you to associate all documents and communications related to the assessment.

The materials requested include the following (taken directly from a PQA Audit Letter):

1. Non-public entities only: A document that indicates the beneficiary's non-profit or government subdivision/unit status. Examples include: most recent audited financial statement (stating the type of entity or requiring compliance with Single Audit procedures) or IRS Not-for-Profit Determination Letter.
2. Non-public entities only: A document that indicates status as a primary/secondary school/district, or library eligible under Library Services and Technology Act (LSTA). Examples include: website, or other published or official document.
3. For libraries only: The general budget for the library or library system's finances related to the funding year under review.
4. List of all entity names and entity numbers (at the school/library branch level) that received products and/or services associated with the FRN identified on the notification letter. Please include the physical address and county of all entities.
5. Service Provider bill(s) related to the Customer Billed Date or Customer Service Product Delivery Date identified on the notification letter that support(s) the disbursement under review. Please follow the instructions below:
  - a. Note on the bill the Funding Request Number (FRN);
  - b. Circle on the bill the relevant products and/or services AND charges associated with the FRN under review; and
  - c. Note on the bill the date the beneficiary first received the products and/or services for the funding year under review.

NOTE 1: If the undiscounted charges filed with USAC were incurred over more than one month and/or on more than one bill, be certain to send ALL the bills over which these undiscounted charges were incurred.

NOTE 2: If any single service provider bill related to the FRN under review exceeds 20 pages, please contact PQA processor prior to submitting service provider bills for review.

6. Service Provider Invoice (SPI) Method Only: If the SPI method was used to invoice USAC, provide a copy of the service provider bill(s) showing the discount amount credited or a reimbursement check from the service provider for the disbursement amount under review.

NOTE 1: If providing a reimbursement check from the service provider, please also provide documentation showing it was deposited, such as the cancelled deposit slip or relevant bank statement.

NOTE 2: If the total amount on the discount credit or reimbursement check is larger than the disbursement under review, please provide the breakdown to substantiate that the disbursement is included in the discount or check total.

NOTE 3: If the discount amount credited consists of smaller credits that add to the disbursement under review, please provide all relevant bills and provide a reconciliation to show how the credits support disbursement under review.

7. Billed Entity Applicant Reimbursement (BEAR) Method Only: If the BEAR method was used to invoice USAC then a direct payment from USAC was received by the beneficiary. Provide a copy of the bank statement that shows the disbursement amount was deposited.
8. The Technology Plan Approval Letter for the FRN identified on the notification letter, except for requests for basic telephone services for all funding years, FY 2010 or later requests for Voice Over Internet Protocol (VOIP), FY 2011 or later funding requests for telecommunication services and internet access (Priority One service categories), or all FY 2015 or later requests.
9. Completed, printed, and signed Confirmation Letter, include ALL pages.  
NOTE: Please provide a detailed explanation for any "no" answers.
10. Provide all of the documentation listed below for the Service Provider selection process for the FRN under review.
  - Bid evaluation worksheet(s) including criteria and weighting of the criteria or documents that support the service provider selection process.
  - If one bid or no bids were received, please provide a statement to that effect.
  - Relevant contract(s) between the beneficiary and service provider, except for products and/or service covered by non-contracted tariff/month to month or State Master Contract.
11. Proof of payment to the service provider for the relevant service provider bill(s) Examples of the types of accepted documentation are listed below. One form of documentation from each bullet point is required in order to satisfy the testing requirements
  - Proof of payment, e.g. the front of the payment check(s), subsequent bill(s) showing payment received, or a credit card statement.  
AND
  - Proof the payment was deposited, e.g. the back of the payment check(s), monthly bank statement(s) showing the check(s) cleared, or a credit card statement.
12. If the FRN referenced above included funding for Internet Access, Internal Connections, or Basic Maintenance of Internal Connections, provide a brief description of how your entity was in compliance with the requirement of the Children's Internet Protection Act (CIPA), which states that a technology protection measure was in place that protected both adults and minors against obscene visual depictions or harmful web content, which could have been otherwise accessed through the beneficiary's computers. Please provide a statement to include the following:
  - The name of the filtering product (e.g. Barracuda);
  - The product title (e.g. Barracuda NG Firewall); and
  - A description of the product's capabilities to secure the beneficiary's web content.

If applicable, the documentation could instead include, for example, the contract number for the technology protection measure.

NOTE: Minutes from a Board Meeting are NOT sufficient documentation.

13. Internal Connections Only, please provide the following documentation:

- An Excel spreadsheet of the asset and inventory records reflecting equipment purchased under the FRN referenced in this letter. This listing should include the following items:
  - o Make
  - o Model
  - o Serial number (if available)
  - o Current physical location (include entity name and room number)
  - o Date installed
  - o FRN
  - o Customer bill reference number(s)
- If the FRN included the installation of cabling, a floor plan or as-built drawings showing the locations of all cabling drops installed with the disbursement under review and all MDF/IDF locations.



**E-rate BCAP Audit - Beneficiary Initial Documentation Request List**  
(relevant for FY 2021 Funding Year audits)

Request #	Bidding Process
1	Copies of procurement policy and/or procedures
2	Overview of the service provider selection process, including criteria and weighting of the criteria
3	RFPs issued*
4	Written correspondence with any prospective bidders*
5	All bids received
6	Bid evaluation documentation including evaluation worksheets*
7	Meeting minutes, sign-in sheets, and/or meeting agendas or other available documentation where bid evaluation was discussed*
8	Contracts for supported services*
9	List of all service providers supplying discounted services including contact information*
10	Documentation of any SPIN change requests including copy of notice to original service provider*
11	Documentation to support that the selected services and/or equipment was cost effective*
12	Documentation to support any service substitutions*
	Budget Review
13	Documentation supporting student numbers used in budget calculations.
14	Telecommunication Budget(s) for Funding Year 2021 (July 1, 2021 to June 30, 2022)
	Discount Rates
15	Documentation to support the discount calculation, such as support worksheets or reports that were used in the Block 4 discount information*
16	Policies and procedures for the discount calculation process or methodology
	Invoice Approval
17	Policies and procedures for validating and processing service provider bills and submitting invoices to USAC
18	Copies of service provider bills for supported services*
19	A reconciliation by FRN of service provider bills to invoices submitted to USAC*
20	Documentation of payment (cancelled checks or bank statements) for services to service providers*
21	Documentation showing receipt and deposit of any reimbursement amounts received*
	Other
22	Copies of financial statement audits, audit of internal controls over financial reporting, internal audits, audits conducted by USAC or any other 3 <sup>rd</sup> parties during the previous 3 years
23	Fixed Asset Listing (FAL) for the E-Rate equipment with location and identifying numbers (i.e. Serial Number and/or Asset Tag information)
24	Floor Plans or Network Diagram showing use of E-Rate equipment/services*
25	Documentation verifying the date of receipt of services/equipment*
26	Record retention policy
27	List of individuals with contact information, including staff, service providers, and any consultants that work on the E-Rate requests as well as their roles and responsibilities
28	Description of any investigations or legal proceedings (either initiated or in progress) related to your FY 2021 E-Rate program support.



**BCAP Audit  
Internal Control Questionnaire  
E-Rate Program  
(as of FY 2021 Funding Year)**

Question #	Bidding Process	Response
1	What is the process for seeking approval to procure the eligible services and equipment? Who prepares the Form 470?	
2	Do you use a consultant to assist in the bidding process? If so, what are the consultant's responsibilities?	
3	Do you have documented policies and procedures for soliciting and evaluating bids?	
4	What instructions are provided to bid evaluators?	
5	If only one bid is received, how do you assess whether the bid is cost-effective? How is this documented?	
6	If bids are received according to varying terms (e.g., single year versus multi-year, annual versus monthly, total versus per unit, etc.), how do you ensure that bids are evaluated consistently?	
7	How do you ensure potential bidders have access to the same information?	
8	How are winning and losing bidders informed of decisions?	
9	Are formal contracts executed with winning bidders?	
10	Were there service substitutions for any of the FRNs funded in FY 2021?	
11	Did service providers take part in the bid evaluation and selection process?	
12	Are you aware of any Beneficiary personnel soliciting or receiving gifts or other things of value from a service provider? If so, please describe the circumstances.	
	<b>Budget Review</b>	
13	How do you ensure you can fund your non-discounted share?	
14	Do you prepare an operating budget for the funding year?	
15	Is your non-discounted share included in the budget?	
16	Do schools within your district receive funding as individual entities?	

**BCAP Audit  
Internal Control Questionnaire  
E-Rate Program  
(as of FY 2021 Funding Year)**

<b>Discount Rates</b>		
17	Do you utilize the National School Lunch Program (NSLP) method? If so, how do you obtain NSLP eligibility data?	
18	If you use an alternative discount mechanism, what mechanism do you use? Do you have documented policies and procedures for this process?	
19	How often is eligibility data updated?	
20	What processes are in place to maintain the integrity of the data?	
<b>Invoice Approval</b>		
21	Who initially receives the service provider bills? If applicable, who are the bills forwarded to for approval?	
22	What is the process for ensuring services or equipment were received?	
23	What is the process for entering bills and processing them through the accounts payable system, including writing checks?	
24	Who signs the checks? Is this person independent of the accounts payable entry process?	
25	Are there any Funding Year 2021 service provider bills that have not yet been paid? If so, why?	
26	If you utilize the Billed Entity Applicant Reimbursement (BEAR) forms, who prepares the BEAR forms?	
27	What is the process for reconciling the BEARs to the service provider bills and ensuring ineligible services and equipment are removed?	
28	If the service provider(s) utilizes Service Provider Invoice forms (SPIs), how does the service provider bill you and provide reimbursements?	
29	What is the process for ensuring all USAC reimbursements have been received from the service provider?	
30	Have you requested an extension of USAC's deadline(s) for delivery of services/equipment funded in FY 2021?	



**BCAP Audit  
Internal Control Questionnaire  
E-Rate Program  
(as of FY 2021 Funding Year)**

<b>Equipment</b>		
31	Who is responsible for the oversight and monitoring of equipment?	
32	How often is the fixed asset listing updated and how do you ensure that it is accurate?	
33	Are floor plans and/or network diagrams maintained?	
34	Is E-Rate program equipment uniquely identified with tags or other distinguishing marks? If not, how is it tracked?	
35	Are periodic inventories performed? If so, how often?	
36	Has any E-Rate program equipment been disposed of? If so, was it sold?	
37	Has any of the E-Rate program equipment been substituted with a different make and/or model or for equipment with a different functionality?	
38	Is there any E-Rate program equipment not currently installed or operational?	



# Commitment Adjustments / Recovery of Funds

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If USAC discovers that certain funds have been committed and/or disbursed in error, the Federal Communications Commission (FCC) requires USAC to rescind those commitments and recover funding that has been improperly disbursed. USAC refers to this process as the Commitment Adjustment (COMAD) process. These findings may occur as a result of the following types of reviews and audits:

- Program Integrity Assurance (PIA)
- Audits
- Payment Quality Assurance (PQA)
- Invoicing
- Appeals
- Heightened scrutiny (e.g., competitive bidding, cost-effectiveness, special compliance, and other post-commitment reviews)

## Commitment Adjustment (COMAD)

If a COMAD action is necessary, USAC will provide both the applicant and the service provider with a Commitment Adjustment Letter (CAL) containing an Adjustment Report which lists the Funding Request Number(s) (FRNs), FCC Form 471 Application Number, Billed Entity Number (BEN), and Service Provider Identification Number (SPIN) affected by the COMAD action, as well as an explanation. [Note that some of these explanations may be insufficient and applicants may need to seek more information from USAC to determine whether there are grounds to contest the COMAD].

NOTE: COMAD Letters now are classified as a Revised Funding Commitments Decision Letters and may not clearly explain its purpose is to rescind some or all of previously approved funding. In the event you receive a revised funding commitment decision letter and it appears that the letter reduces previously approved funding, you should consider this to be a COMAD and ensure that you follow the deadlines for submitting an appeal, first to SLD and then later to the FCC if the SLD does not approve your appeal.

## Insufficient or Unclear Explanation for COMAD

If you receive a COMAD and do not understand the rationale for the funding reduction/rescission, you should open a customer service case in EPC, and request more detailed information about the reason for the COMAD. This information may be very important to assisting you in preparing an appeal to challenge the COMAD.

If a party wants to appeal the decision, information on how to prepare and submit an appeal is included in the letter. Please note that there is a very strict 60-day deadline for filing the appeal with USAC.

For Funding Year (FY) 2016 and later funding years, applicants and services providers receive CALs/Revised FCDLs in the E-rate Productivity Center (EPC) News feed. For FY 2015 and previous funding years, USAC emails the CAL/Revised FCDL to the contact person designated in EPC.

If the amount of funds disbursed to date exceeds the adjusted funding commitment amount, FCC rules require USAC to recover the funds disbursed in error. In these cases, USAC will send the CAL to the responsible party (service provider, applicant, or both parties). USAC will copy the other affected party on the CAL.

If the amount of funds disbursed to date is less than the adjusted funding commitment amount, USAC will continue to process valid invoices up to the adjusted funding commitment amount. If funds need to be recovered, USAC will seek recovery from the party responsible for the COMAD action or rule violation.

In general, if funds need to be recovered, USAC will seek recovery from the responsible party.

### **After you receive a COMAD letter**

You have 60 days from the date of your CAL to file an appeal with USAC if you disagree with the commitment adjustment. Please see USAC's Appeals page for more information on filing an appeal. If your appeal is not successful, you will have 60 days from the date of our appeal decision to request a waiver or file an appeal directly with the FCC. You can also make a payment to USAC in the amount at issue in the CAL if the funds have already been disbursed.

### **Demand Payment Letters and Red Light**

Applicants and service providers who do not file an appeal within 60 days, are unsuccessful in their appeals or waiver requests, or who fail to pay the full amount in the CAL are issued a Demand Payment Letter and may eventually face:

- holds and dismissal of pending FCC Form 471 applications,
- holds and dismissal of pending invoices for the at fault applicant or service provider,
- ineligibility for participation in E-Rate and other USF programs until the recovery is paid,
- transfer of the debt to the U.S. Treasury for collection, and
- interest and other fees

Note for consortium applications: Entities that are on Red Light and are recipients of services on consortium application are not eligible to receive funding through the consortium, but the entire application may not be dismissed. These entities will have their goods/services removed through cost allocations on consortium applications and invoices. The party who filed the FCC Form 471 (e.g., the consortium lead) should file any appeal of a COMAD action. If you have any question regarding your CAL, please contact us.

### **Recovery of Improperly Disbursed Funds (RIDF)**

When USAC discovers that funds were disbursed in error but the decision to commit the funds was correct, USAC will seek recovery of the improperly disbursed funds (RIDF). For example, if USAC paid an invoice that included ineligible products or services along with the approved products and services, USAC would seek recovery for the costs of the ineligible items. Once the improperly disbursed funds are returned to USAC, USAC will resume paying invoices submitted for that FRN that are for approved, eligible products and/or services.

### **Returning Funds to USAC**

Funds may need to be returned to USAC as a result of a commitment adjustment or a recovery of improperly disbursed funds or when a service provider or applicant discovers they made an error on the BEAR or SPI.

If USAC discovers through an audit or other means that funds have been disbursed by USAC in error, USAC will initiate a process to recover the funds.

If an applicant or service provider has conducted their own internal review and has discovered that funds have been disbursed by USAC in error, the applicant or service provider must return the funds to USAC.

Following are examples of when funds must be returned to USAC. This list is not exhaustive:

- The amount requested on the FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form or the FCC Form 474, Service Provider Invoice (SPI) Form was too high due to a typographical error.
- The applicant or service provider invoiced USAC for one or more pieces of equipment that were later returned to the service provider.
- The amount requested on the BEAR or the SPI was not supported by the amount(s) on the customer bills (bills issued by the service provider to the applicant).
- The applicant or the service provider invoiced USAC before the eligible products/services were shipped or delivered (unless the terms of the contract specifically included this payment provision and the applicant was billed).
- USAC disbursed funds to a consortium that featured an entity which was not eligible to receive products/services.
- The E-rate Program disbursement check was not cashed within the appropriate time frame.

You must return all program funding electronically. Include with your payment a copy of your COMAD, including the funding commitment report, and the Schools and Libraries (SL) Program PID Worksheet. <https://www.usac.org/wp-content/uploads/service-providers/documents/templates/SLD-PID-Worksheet-2020.pdf>

To prepare the electronic funds transfer, go to <https://efile.universalservice.org/EFilePayments/Webpay>

Be prepared to submit the following information on the online payment form:

- BEN Name
- Billed Entity Number
- Funding Request Number
- Amount of payment
- Contact person's name, phone number and email
- Provide a narrative explanation of how to apply the payment in the comments or upload additional documentation.

The next screen will prompt you to either pay via bank account, credit card or debit card. Alternatively, instructions are available for submitting the payment through an ACH.