

# FORT WORTH

INDEPENDENT SCHOOL DISTRICT

100 NORTH UNIVERSITY / FORT WORTH, TEXAS 76107 / TELEPHONE

RECEIVED & INSPECTED

JAN 18 2005

FCC - MAILROOM

January 14, 2005

CC Docket No. 02-6  
Letter of Appeal  
Request for Review

DOCKET FILE COPY ORIGINAL

Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street SW  
Washington, DC 20554

Re: Administrators Decision on Appeal – Funding Year 2000-2001  
Schools and Libraries Division  
Universal Service Administration Company  
Billed Entity Number: 140887  
Funding Request Numbers 480360  
480362  
452460

Dear Sir or Madam:

## Introduction

On November 19, 2004, the Schools and Libraries Division (SLD) of the Universal Service Administration Company (USAC) sent Fort Worth Independent School District (FWISD) a letter regarding the outcomes of a beneficiary audit. On November 16, 2004, the SLD denied an appeal made by FWISD relating to findings of this audit and the SLD's subsequent attempt to recover funds. The audit was conducted by KPMG in March of 2003 and was focused on the funding for Year 3 (July 2000 – June 2001). The SLD has requested recovery of disputed funds from FWISD relating to Telecommunication Services and Internal Connections for the program year. FWISD appealed the attempt to recover funds, and the SLD denied said appeal. FWISD strongly disagrees with this decision, and is appealing to the FCC for relief. This Letter of Appeal is timely made within sixty days of the date of the Decision.

No. of Copies rec'd 0  
List ABCDE

## **Factual Background**

### **FRN 480360 – SBC Telecommunications Costs**

These telecommunications costs are for traditional dial-tone (voice circuit) and data circuit services which are clearly eligible services under SLD rules. In fact, these services are the “Tier One” services for which funding priority is given. FWISD provides these services to its stakeholders to provide for voice and electronic communication which furthers the education of our students. These services are ongoing, monthly services which vary little in cost from one month to the next.

The audit findings (included in Attachment A – Letter from USAC-SLD re: beneficiary audit) report that during the on-site portion of the KPMG audit, FWISD was unable to produce two of three month’s invoices for Southwestern Bell Corporation (SBC) telecommunication services requested by the auditors. In response to the finding, FWISD indicated that “FWISD would be able to locate the missing documentation with further research”.

The invoices which were not retrievable from our archives during the short KPMG on-site visit were subsequently located and provided to the Audit Division of the SLD at their request as part of a follow-up to the audit. These invoices were for sample months that KPMG had selected for their audit. Additionally, FWISD provided SBC telecommunications invoices for the entire program year. When the SLD conducted their follow-up audit, not all of the SBC invoices necessary to support FWISD’s reimbursement request for the funding year were accounted for. Either they couldn’t locate the ones we sent, or we inadvertently didn’t send them. FWISD believed that all documentation necessary to support their reimbursement request was in the hands of the SLD. In any event, the invoices used by the SLD led them to determine that there was not substantiation for the reimbursement and that the SLD should attempt to recover \$148,974.46 from FWISD. FWISD suspects that multiple customer billing numbers that SBC uses to invoice the various types of telecommunication services they provide most likely led to the confusion. At any rate, on appeal, the unaccounted for invoices led to the determination by the SLD that “The documentation submitted (192 pages of Southwestern Bell billing) was still insufficient”. The decision letter from the SLD is attached (Attachment B – Administrators Decision on Appeal)

In their decision, the SLD has not accounted for invoices specifically covering FWISD’s data communication services. These are basic telecommunications circuits (DS-1 and DS-3) used to enable Internet connectivity to our campuses. Attachment C (An Excel spreadsheet named Recoveries(1).xls) is the spreadsheet used by the SLD in determining that insufficient documentation existed for FRN 480360. It is clear from this spreadsheet that in accounting for FWISD disbursements under the FRN, the SLD accounted for only Account numbers 817-163-6104 and 817-871-2000.

In the course of conducting the follow-up to the audit, FWISD responded promptly to questions asking for clarification regarding other KPMG findings. Despite this open line of communication, the SLD made no request for additional documentation, nor requested any clarification of any type from FWISD to explain the discrepancy between the reimbursement amount and the total of the SBC invoices. Attachment D includes a summary sheet and detailed invoices for the program year which clearly show FWISD expenditures with SBC for eligible telecommunications costs under account number 817-A32-0006-618-6.

In this decision, the SLD further implies that the FWISD is not compliant with records retention regulations as defined in the program rules, "... applicants must maintain their records for at least five (5) years to be able to comply with audits, and other inquiries or investigations". Clearly, FWISD had difficulty locating some of the documentation on short notice. However, FWISD is in full compliance with records retention requirements and has proven so by providing the requested documentation.

An important note is that the KPMG found that for Billed Entity Applicant Reimbursement (BEAR) transactions (Procedure 13, Step h) no exceptions were noted. Specifically, the audit noted that "FWISD paid all amounts to the Service Provider and is only seeking reimbursement of eligible paid costs and applied the approved discount rate." This finding would seem to be in direct contradiction of the SLD assertion that FWISD had not substantiated its reimbursement request. Clearly, FWISD followed proper procedures for reimbursement of funds spent by FWISD during the program year.

#### **FRN 480362 – MCI Telecommunications Cost**

The audit findings (Attachment A) report that during the on-site portion of the KPMG audit, FWISD was unable to produce invoices for MCI WorldCom (MCI) long distance telephone services requested by the auditors. In response to the finding, FWISD indicated that "FWISD would be able to locate the missing documentation with further research".

The invoices which were not retrievable from our archives during the short KPMG on-site visit were subsequently located and provided to the Audit Division of the SLD as part of a follow-up to the audit. These invoices were for sample months that KPMG had selected for their audit. Additionally, FWISD provided MCI long distance invoices for the entire program year. When the SLD conducted their follow-up audit, not all of the MCI invoices necessary to support FWISD's reimbursement request for the funding year were accounted for. Either they couldn't

locate the ones we sent, or we inadvertently didn't send them. In this case, one month's invoicing was unaccounted for. Attachment C is a spreadsheet used by the SLD in determining that insufficient documentation existed for FRN 480362. This led the SLD to attempt recovery of \$6,736.68. In analyzing FWISD disbursements under the FRN, the SLD accounted for only invoices for July 2000 through March of 2001.

Attachment E includes a summary sheet and detailed April invoice for the program year which clearly show eligible FWISD expenditures with MCI.

Again, it is important to note is that the KPMG found that for Billed Entity Applicant Reimbursement (BEAR) transactions (Procedure 13, Step h) no exceptions were noted. Specifically, the audit noted that "FWISD paid all amounts to the Service Provider and is only seeking reimbursement of eligible paid costs and applied the approved discount rate." This finding would seem to be in direct contradiction of the SLD assertion that FWISD had not substantiated its reimbursement request. Clearly, FWISD followed proper procedures for reimbursement of funds spent by FWISD during the program year.

#### **FRN 480360 – SBC Ineligible Services**

The audit findings show that FWISD incorrectly applied for reimbursement of telecommunications charges for services which are ineligible. KPMG correctly points out that embedded in the invoices from SBC were a few minor costs requested for reimbursement which were ineligible. FWISD acknowledges receiving reimbursement for these ineligible services and acknowledges that the SLD is correct in seeking recovery of the \$345.00 found during the KPMG audit.

#### **FRN 452460 – SBC Could not locate equipment**

The audit findings (Attachment A) report that during the on-site portion of the KPMG audit, "KPMG verified the products listed on the FCC Forms 471 were actually installed at the selected schools, except KPMG was unable to compare port switches equipment listed on the Services Ordered and Certification Form (FCC Form 471) to the installation at Riverside Middle School." In response to the finding, FWISD indicated that FWISD "would research the location of these switches in question to address any concerns USAC may have."

The switches sought were Cisco Model 3548 switches in two communication closets of the school. Four switches were not locatable. The detail information about what equipment was not found is in the table below.

3548 Switch ( C )	FAA0444G0AR	Cisco Catalyst 4006 s/n FOX05340L40 w/ 240 ports found in place of these three switches
3548 Switch ( C )	FAA0444X0F2	
3548 Switch ( C )	FAA0443Y01E	
3548 Switch ( D )	Faa0444Y0EX	Cisco 3524 switch serial # n/a found in place of this switch

All wiring in the campus was connected to the Internet through Ethernet switches, though not the exact make and model that were installed during Year 3. No deficiency in connectivity existed at Riverside Middle School. In fact, increased demand for connectivity in classrooms served by Closet "C" led FWISD to add wiring and upgrade the Ethernet switches there. The three 3548 switches were replaced by a Cisco 4006 chassis style switch (Attachment F-1) which has far greater capability as far as speed and serviceability are concerned. Also, while the total of the three Cisco 3548 switches would have provided 144 ports of connectivity in Closet "C", the switch that replaced them boasted 240 ports. Likewise the costs of the Cisco 4006 chassis switch (approximately \$24,000.00) is far greater than the sum of the three 3548 switches (3 X \$3,146 = \$9,438.00) it replaced. Pictures of Closet "C" (Attachment F1) clearly show that the classrooms connected to this closet are being served.

In their findings, KPMG did not report that there was a chassis Ethernet switch in the place of the three smaller switches they expected to find. Their findings merely reflect that the Year 3 switches were not at Riverside Middle School

In their findings, KPMG notes that FWISD's recordkeeping of e-rate funded equipment did not conform to program guidelines. Because of this recordkeeping issue, the SLD seeks recovery of \$13,593.83. While the FWISD may have had recordkeeping issues, clearly FWISD has complied with the spirit and intent of the program. FWISD has recognized the need for enhancing our recordkeeping. To meet this need, FWISD has established policy and implemented procedures to ensure that documentation of installation, operational status, and equipment changes of all network equipment is properly maintained.

As part of the initiative to tighten up controls on network equipment inventory management, FWISD has installed centralized management software that facilitates inventory and change control of networking equipment. Using this software, FWISD was able to locate the Ethernet port switches in question. Three of these switches were located at Dunbar Middle School, and pictures of these switches in their location are attached in Attachment F2 through F5. The fourth switch was located at FWISD's Food Service Offices and Warehouse, a service facility dedicated to feeding breakfast and lunch to students across the District. Pictures of the model and serial number of this switch are attached in Attachment F6.

### **Conclusion**

FWISD requests review and reversal of the USAC non-compliance findings as a result of the beneficiary audit. Clearly, the foregoing demonstrates that FWISD acted within program rules in their filings and implementation of projects funded by E-rate monies. To address each of the compliance issues asserted by USAC:

- FWISD is presenting proof in the form of invoice documentation that our reimbursement for eligible services is substantiated. Please refer to Appendices C, D, and E.
- FWISD did, in year 3, err in not redacting certain ineligible services embedded in their monthly telecommunications invoices prior to filing for reimbursement. FWISD acknowledges its need to reimburse the Universal Service Fund \$345.00 due to this oversight. However, FWISD now has in place procedures for ensuring that such service costs are removed prior to submission of the reimbursement request.
- FWISD has located and is including documentation of equipment installed during Year 3 which was subsequently upgraded. Please refer to Appendix F. FWISD has shored up procedures in areas of recordkeeping to ensure that records of e-rate funded equipment are maintained properly and accurately.

FWISD believes the attempt to recover funds and the decision to deny FWISD's appeal is in error, and hereby requests its' reversal. FWISD acknowledges that the SLD attempt to recover \$345.00 is correct

FWISD appreciates the SLD role in administering e-rate funds, and their responsibility to protect Universal Service Funds from waste, fraud, and abuse. We fully support their efforts to eliminate waste, fraud, and abuse from the program, as it ensures greater availability of funds to those schools which are the most in need. As a school district with approximately 70% of our children eligible for Free and Reduced lunch, FWISD is one of those Districts. As a relatively poor, urban District, FWISD relies upon the e-rate funding mechanism to enhance services to our children, and expand their learning opportunities. As such, FWISD is committed to compliance with all e-rate program rules. Clearly, the foregoing demonstrates that FWISD is a worthy beneficiary and judicious user of funds administered by the SLD.

Federal Communications Commission  
Office of the Secretary  
Page Seven  
January 14, 2005

If you need to contact a representative of FWISD regarding this matter, you may direct your inquiry to:

Bill Richardson  
Fort Worth I.S.D.  
100 N. University Dr.  
Fort Worth, TX 76107

Voice: (817) 871-2611  
Fax: (817) 871-2636  
Email: [billr@ftworth.isd.tenet.edu](mailto:billr@ftworth.isd.tenet.edu)

Thank you for your consideration of the foregoing. Please contact me immediately if you have any questions, comment, or objections with regard to the foregoing, or if you need additional information.

Sincerely,  
  
Bill Richardson

Attachments:

- Attachment A – Letter from USAC-SLD re: beneficiary audit
- Attachment B – Administrators Decision on Appeal
- Attachment C - Excel spreadsheet named Recoveries(1).xls
- Attachment D - summary sheet and detailed invoices of SBC invoice
- Attachment E - summary sheet and detailed April invoice from MCI
- Attachment F – digital pictures of Riverside Middle School Closet “C” and switches relocated from Closet “C”

**USAC**

**Universal Service Administrative Company**

Schools & Libraries Division

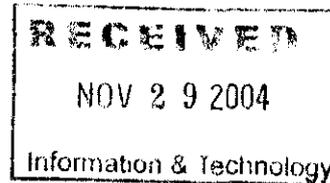
Cynthia L. Beach

Manager of Audit Response

[cbeach@universalservice.org](mailto:cbeach@universalservice.org)

November 19, 2004

Fort Worth Independent School District  
Attn: Bill Richardson  
100 North University Drive  
Fort Worth, TX 76107-1360



RE: Beneficiary Audit

Dear Mr. Richardson:

The school, school district, or library for which you serve as the authorized representative was recently audited to evaluate your entity's compliance with Federal Communications Commission (FCC) rules relating to the Schools and Libraries Universal Service Support Mechanism (E-rate). The audit focused on Funding Year 2000 and found that your entity was not in compliance with FCC rules because:

- Entity received reimbursement in excess of services and/or equipment provided by your service provider.
- SLD was invoiced for services or equipment that are not eligible for funding.
- You could not locate equipment for which USAC disbursed funds.

Enclosed with this letter is a copy of the Audit Report. As a result of your entity's non-compliance, the Universal Service Administrative Company (USAC) is seeking recovery consistent with the FCC's Orders.<sup>1</sup>

This letter notifies you, as the authorized representative of your entity that the Schools and Libraries Division (SLD) of USAC will take no action on pending or future FCC Forms 471 submitted by your entity for Funding Years 2001 and later until USAC determines that your entity has reasonably complied with the request explained below. USAC may also heighten its scrutiny of any invoices submitted for services provided to your entity.

USAC is responsible for ensuring that funding commitments and disbursements are made in compliance with program rules.<sup>2</sup> In addition, USAC has a fiduciary

<sup>1</sup> See *in re Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Schools and Libraries Universal Service Support Mechanism*, CC Docket Nos. 96-45, 97-21, 02-6, FCC 04-181 (rel. July 30, 2004).

<sup>2</sup> See generally 47 U.S.C. § 254; 47 C.F.R. § 54.500 *et seq.*

duty to protect the Universal Service Fund from waste, fraud and abuse.<sup>3</sup> You (and perhaps others), as the authorized representative of your entity, have made a number of certifications on the FCC Forms 471 and other program forms that you have submitted to USAC on behalf of your entity. False or incorrect certifications may result in numerous consequences, including denial of funding, recovery of funds already disbursed and/or other enforcement actions. The audit finding(s) resulting in your entity's non-compliance indicate that you failed to comply with one or more of the certifications that you made on program forms and/or that your entity has otherwise failed to comply with program requirements.

USAC requests that you provide the information and documentation explained below so that USAC can resume consideration of your entity's FCC Forms 471. If no response is received within six months of the date of this letter, or if no reasonable explanation for delay is provided within six months of the date of this letter, USAC will deny pending applications.

If you have received this letter during the FCC Form 471 filing window, you should submit your FCC Form(s) 471. Receipt of this letter does not indicate that you may not submit FCC Form(s) 471.

So that your service providers may make informed decisions about how to proceed, a copy of this letter is being sent to all service providers listed on currently pending FCC Forms 471.

Please note that, depending upon USAC's review of the information that you provide, USAC may also need to request information and documentation for prior funding years.

#### **WHAT TO ADDRESS REGARDING THE AUDIT FINDINGS**

Below is an explanation of what to address regarding the audit finding(s) so that a determination can be made regarding the hold on your entity's commitments.

- Your entity's non-compliance is the result of your entity receiving reimbursement in excess of services and/or equipment provided by your service provider. USAC disbursed funds to your service provider, and these funds were reimbursed to you by your service provider because you submitted a Billed Entity Applicant Reimbursement Form (BEAR Form or FCC Form 472) to USAC. However, you sought reimbursement in excess of the services and/or equipment that was actually provided to your entity by your service provider. Furthermore, you sought reimbursement for services and/or equipment for which you had not yet been billed by your service provider, or for which you had not yet paid. In order to address this finding, your entity must develop and implement a plan to strengthen internal controls to ensure that when your entity submits a BEAR Form, your entity seeks reimbursement only for services and/or equipment that has in fact been provided by your service provider(s).

---

<sup>3</sup> See 47 C.F.R. § 54.702.

You should consult FCC rules and orders available at the FCC website for details regarding these requirements.<sup>4</sup> You must provide USAC with proof that you have taken these steps. This proof should consist, at a minimum, of a copy of your entity's plan to address this audit finding, and a description of how this plan has been implemented

- Your entity's non-compliance is the result of receiving services or equipment that are not eligible for funding. USAC disbursed funds to your service provider, and these funds were reimbursed to you by your service provider because you submitted a Billed Entity Applicant Reimbursement Form (BEAR Form or FCC Form 472) to USAC. In order to address this finding, your entity must develop a plan to strengthen internal controls to ensure that when your entity submits an FCC Form 471, it is requesting funding for eligible services and equipment, and that when your entity submits a BEAR Form to USAC, your entity is requesting reimbursement for eligible services or equipment only.

You should consult FCC rules and orders available at the FCC website for details regarding these requirements.<sup>5</sup> You must provide USAC with proof that you have taken these steps. This proof should consist, at a minimum, of a copy of your entity's plan to address this audit finding, and a description of how this plan has been implemented.

- Your entity's non-compliance is the result of your entity not being able to locate equipment for which USAC disbursed funds. USAC disbursed funds to your service provider, and these funds were reimbursed to you by your service provider because you submitted a Billed Entity Applicant Reimbursement Form (BEAR Form or FCC Form 472) to USAC. However, when USAC auditors visited your entity, you were unable to show the auditors the equipment and unable to provide information regarding its location. In order to address this finding, your entity must develop a plan to strengthen internal controls to ensure that when your entity submits a BEAR Form, your entity has in fact received the services or equipment for which your entity is requesting reimbursement, and your entity has in fact paid the service providers that provided these services or equipment the full cost of the services or equipment. Your entity may not transfer equipment except under limited circumstances. Your entity also needs to maintain asset and inventory records.

You should consult FCC rules and orders available at the FCC website for details regarding these requirements.<sup>6</sup> You must provide USAC with proof that you have taken these steps. This proof should consist, at a minimum, of a copy of your entity's plan to address this audit finding, and a description of how this plan has been implemented

---

<sup>4</sup> See 47 C.F.R. § 54.514; Universal Service for Schools and Libraries, Billed Entity Applicant Reimbursement Form and Instructions, OMB 3060-0856, (October 1998) (*FCC Form 472 or BEAR Form*).

<sup>5</sup> See 47 C.F.R. §§ 54.501; 54.502; 54.503; 54.517; 54.518; 54.519; 54.522 ;Schools and Libraries Universal Service, Services Ordered and Certification Form 471 and Instructions, OMB 3060-0806, (November 2003)(*FCC Form 471*); Universal Service for Schools and Libraries, Billed Entity Applicant Reimbursement Form and Instructions, OMB 3060-0856, (October 1998) (*FCC Form 472 or BEAR Form*).

<sup>6</sup> See 47 C.F.R. §§ 54.514; 54.513, 54.516(a)(1); Universal Service for Schools and Libraries, Billed Entity Applicant Reimbursement Form and Instructions, OMB 3060-0856, (October 1998) (*FCC Form 472 or BEAR Form*).

You should also provide any other information you believe would be useful to USAC in determining whether or not you have adequately addressed the audit findings that resulted in your entity's non-compliance. You must provide this proof within six months of the date of this letter, or you must provide a reasonable explanation for delay and a date certain by which you will provide the required information. Failure to provide the required information within the designated time period may result in denial of pending requests for funding.

The information and documentation requested above should be sent to:

Universal Service Administration Company  
Schools and Library Division  
Attn: Cynthia L. Beach  
2000 L Street, N.W., Suite 200  
Washington, DC 20036

### **USAC'S REVIEW OF YOUR COMPLIANCE WITH THIS REQUEST**

USAC will review your submission to determine whether it reasonably complies with the requirements set forth in this letter and demonstrates that you have adequately addressed the audit finding(s) that resulted in your entity's non-compliance. USAC may seek additional information and documentation from you as it makes this determination.

If USAC determines that you have reasonably complied with this request and that you have adequately addressed the audit finding(s) that resulted in your entity's non-compliance, you will be provided with written notification, and USAC will commence reviewing pending FCC Forms 471. If USAC determines that you have not reasonably complied with this request, your pending funding requests will be denied. Should this occur, you will be able to request review of USAC's decisions consistent with the procedure set out below.

### **FCC REVIEW OF USAC'S DETERMINATION AS SET FORTH IN THIS LETTER**

If you disagree with USAC's determination that it will not make pending or future funding commitments until you have complied with the request in this letter, you may file an appeal with the Federal Communications Commission (FCC). You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be **POSTMARKED** within 60 days of the above date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send it to: FCC, Office of the Secretary, 445 12<sup>th</sup> Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site or by contacting the Client Service Bureau. We strongly recommend that you use either the e-mail or fax filing options.

Sincerely,



Cynthia L. Beach  
Manager of Audit Response

enc: as stated

cc: Mirapoint, Inc. (App. #418519)  
Southwestern Bell Telephone Company (App. #'s 414211)  
Education Service Center Region XI (App. #418501)  
Avnet, Inc. (App. #'s 418519, 437271)  
North American Communications Resources, Inc. (App. #437271)  
Dell Marketing LP (App. #'s 418519, 437271, 418519)  
Southwestern Bell Internet Services, Inc. (App. #418501)  
Desert Communications, Inc. (App. #418519)  
SBC Datacomm (App. #418519)  
Digital Speech Systems, Inc. (App. #418519)



**Universal Service Administrative Company**

**To:** Mr. George McDonald, VP – Schools and Libraries Division  
**From:** Internal Audit Division  
**Date:** October 31, 2003  
**Re:** Executive Summary - Schools and Libraries Beneficiary Audit Report – Fort Worth Independent School District (Audit No. SL2003BE046)

The Internal Audit Division of the Universal Service Administrative Company and KPMG LLP performed an audit of the Schools and Libraries Support Mechanism application of the Fort Worth Independent School District located in Ft. Worth, TX, Billed Entity Number 140877 for Funding Year 2000. KPMG was engaged on December 19, 2002, to perform agreed upon procedures audits based on a sample of beneficiaries and audit procedures developed by the Federal Communications Commission (FCC) Office of Inspector General (OIG).

The procedures in the attached report were performed for the purpose of assisting USAC in determining whether the Fort Worth Independent School District, as a recipient of support from the Schools and Libraries Support Mechanism of the Universal Service Fund, is complying with certain support mechanism rules and regulations established by the FCC. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* (GAS) issued by the Comptroller General (GAS 1994 revision, as amended).

For the audit period, Fort Worth Independent School District received the following commitments and the following disbursements were made on its behalf:

	<u>Amount Committed</u>	<u>Amount Disbursed</u>	<u>Service Type</u>
	\$4,072,397.95	\$2,331,407.08	Internal Connections
	320,616.00	74,520.00	Internet Access
	<u>1,238,442.10</u>	<u>1,238,442.10</u>	Telecommunications
<b>TOTALS:</b>	<b>\$5,631,456.05</b>	<b>\$3,644,369.18</b>	

Based on the results of the review and test work, the Internal Audit Division has concluded that the Fort Worth Independent School District is not compliant with the Schools and Libraries Support Mechanism program requirements for the funding year reviewed. The results of the audit disclosed apparent non-compliance with Schools and Libraries Support Mechanism regulations and/or procedures in the following areas:



8200 Greensboro Drive  
Suite 400  
McLean, VA 22102

**Independent Accountants' Report  
on Applying Agreed-Upon Procedures  
KPMG SL2003BE046**

Ms. Cheryl Parrino  
Chief Executive Officer  
Universal Service Administrative Company  
583 D'Onofrio Drive  
Suite 201  
Madison, WI 53719

We have performed the procedures enumerated in Attachment A, which were agreed to by the management of Universal Services Administrative Company (USAC), with respect to the 2000 Funding Year Applications submitted by Fort Worth Independent School District under Beneficiary No. 140877. These procedures were performed solely for the purpose of assisting you in determining whether Fort Worth Independent School District, as a recipient of support from the Schools and Library Support Mechanism (the "S&L Support Mechanism" or the "Support Mechanism") of the Universal Service Fund, as administered by the Schools and Libraries Division ("SLD") of USAC pursuant to the Federal Communications Commission ("FCC") regulations, is complying with certain Support Mechanism rules and regulations, in accordance with the FCC regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General (GAS 1994 revision, as amended) (GAS). The sufficiency of these procedures is solely the responsibility of USAC. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

Specific procedures and related results have been enumerated in Attachment A to this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Fort Worth Independent School District's compliance with S&L Support Mechanism rules and regulations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of USAC and is not intended to be and should not be used by any parties other than the management of USAC.

**KPMG LLP**

March 27, 2003



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.



Procedure 2	Result(s)
<p>Program, or other eligibility method).</p> <ul style="list-style-type: none"> <li>f. Overview of Beneficiary’s Service Provider selection process.</li> <li>g. List of all contracts with Service Providers (including all related sub-contractor agreements) covering FY 2000 E-Rate program services.</li> <li>h. General description of the Beneficiary’s information technology (“IT”) environment and a high-level IT network diagram.</li> <li>i. General description of how E-Rate program funding for internal connections is being used in the Beneficiary’s IT environment.</li> <li>j. General description of the process in place (if any) to ensure removal of ineligible services and/or products prior to billing.</li> <li>k. General description of the billing process for the E-Rate program in FY 2000.</li> <li>l. General description of Beneficiary’s E-Rate program inventory, change/field orders process and how the Beneficiary’s total E-Rate program funding is affected, and how excess E-Rate program inventory is accounted for.</li> <li>m. Copies of local and/or state procurement regulations applicable to the Beneficiary as they relate to contracting for the purchases of internal connections, telephone service and internet access.</li> <li>n. General description of the organization of the Beneficiary’s E-Rate program team, including roles and responsibilities of all personnel involved in the administration of the E-Rate program.</li> <li>o. Correspondence with USAC related to extensions or appeals granted for FY 2000.</li> </ul>	

Procedure 3	Result(s)
<p>If the Beneficiary is a private school, determine by reference to the Beneficiary’s financial statements if it had endowments exceeding \$50 million during FY 2000.</p>	<p>FWISD is not a private school; rather it is a school district overseeing only public schools. Therefore, this procedure is not applicable.</p>



	FWISD's current year Technology Plan is more detailed to include this required information.
--	---

Procedure 6	Result(s)
Identify the basis used to calculate the Beneficiary's discount percentage on FCC Form 471. Compare this basis to the E-Rate approved basis for FY 2000. Also, haphazardly select a sample of 15 individual schools to recalculate the discount percentage calculation.	KPMG compared the basis used to perform the claim discount calculation on FCC Form 471 to the students eligible for participation in the National Student Lunch Program. In addition, KPMG recalculated the discount rates for a sample of 15 individual sites and agreed to USAC documents.  <i>No exceptions were noted.</i>

Application Process Summary	One (1) exception was noted.
-----------------------------	------------------------------

**SERVICE PROVIDER SELECTION AND ELIGIBILITY**

The following procedures are associated with the USAC E-Rate program process that Fort Worth Independent School District utilized related to its FY 2000 to select and determine the eligibility of potential and contracted Service Providers. The procedures, the associated results, and any management responses obtained in relation to exceptions are documented in the following tables.

Procedure 7	Result(s)
Gain an understanding of the Beneficiary's Service Provider selection process by reviewing documents provided by the Beneficiary and through inquiry. Determine whether the Beneficiary's Service Provider selection process included competitive bidding and cost/benefit analysis in FY 2000 as recommended by USAC.	KPMG gained an understanding of the Service Provider selection process, the bidding procedures, and any cost/benefit analysis techniques used by FWISD by reviewing documents provided by the Beneficiary and through inquiries of Beneficiary personnel. KPMG determined that the Beneficiary's process included competitive bidding and cost/benefit analysis in FY 2000 except for the following:  Per KPMG's detail testing of five (5) contracts, the following exception was noted:  <i>The FWISD did not obtain a bid for the Education Service Center Region XI contract. The E-Rate Director stated that the Education Service Center Region XI was a state agency; therefore, the bidding procedures were not utilized.</i>  USAC Schools and Libraries Division requires that once a Beneficiary has filed the FCC Form 470 and it is posted to the SLD web site, competitive bidding should begin. The competitive bidding process requires a 28-day period during which Service Providers (vendors) may bid on the services that have been requested on the FCC Form 470. The FCC established this mandatory bidding period to benefit both Service Providers and applicants. Service Providers have greater access to potential customers, and applicants gain greater choice in Service Provider selection.



Procedure 9	Result(s)
<p>Based on a USAC provided summary of FY 2000 committed/disbursed E-Rate program funds for the Beneficiary, select five Funding Request Numbers (FRN), obtain the contracts for which the Beneficiary sought reimbursement and perform the following:</p>	<p>Based on a USAC provided summary of FY 2000 committed/disbursed E-rate program funds for FWISD, KPMG selected the following five (5) contracts associated with the following FRNs for which the Beneficiary sought reimbursement:</p> <ul style="list-style-type: none"> <li>- Southwestern Bell Telephone – FRN 480360</li> <li>- Education Service Center, Region XI – FRN 341140</li> <li>- True Technology Solutions – FRN 453003</li> <li>- Able Communications, Inc. – FRN 453191</li> <li>- GTE Southwest Incorporated – FRN 453588</li> </ul>
<p>a. Compare the selected contracts' services and/or products to the FY2000 E-Rate program "Eligible Services List" dated December 29, 2000 ("ESL"). Identify any services and/or products for which reimbursement was sought by the Beneficiary that were identified as ineligible in the ESL.</p>	<p>KPMG compared the services and/or products for the selected contracts to the ESL.</p> <p><i>No services or products included in the selected FRNs were identified as ineligible in the ESL.</i></p>
<p>b. Compare the information in Block 2, Summary Description of Needs or Services Requested, of FCC Forms 470 to the description of services and/or products in the selected contracts.</p>	<p>KPMG compared the information in Block 2, Summary Description of Needs or Services Requested, of FCC Form 470 to the description of services and/or products in the selected contracts.</p> <p><i>No exceptions were noted.</i></p>
<p>c. Compare the information in Block 5, Discount Funding Request(s), of the FCC Forms 471 to the selected contracts.</p>	<p>KPMG compared the information in Block 5, Discount Funding Request(s), of the FCC Form 471 to the selected contracts. Block 5 contains the Service Provider SPIN number and name, the eligible service start date, allowable contract date, the eligible monthly amount, and the discount percentage, among other data elements.</p> <p><i>No exceptions were noted.</i></p>
<p>d. For any selected contracts, which were awarded on or before July 10, 1997, determine whether the contract was voluntarily extended beyond the original contract termination date. If so, determine whether the contract extension was subject to a competitive bidding process and was initiated by posting an FCC Form 470, in accordance with SLD program guidelines.</p>	<p>None of the selected contracts were awarded on or before July 10, 1997; therefore this procedure is not applicable.</p>

<p>Service Provider Selection and Eligibility Summary</p>	<p>One (1) exception was noted.</p>
---	-------------------------------------



Procedure 13	Result(s)
Judgmentally select five (5) completed reimbursement forms (BEARS and/or FCC Forms 474, Service Provider Invoice Forms ("SPI")) from the USAC provided file of all FY 2000 Beneficiary requests for payment, and perform the following:	KPMG selected four completed FCC Forms 472 and one FCC Form 474 related to the following FRNs upon which the agreed-upon procedures were performed: <ul style="list-style-type: none"><li>- Southwestern Bell Telephone – FRN 480360</li><li>- Education Service Center, Region XI – FRN 451564</li><li>- True Technology Solutions – FRN 453003</li><li>- Able Communications, Inc. – FRN 453191</li><li>- GTE Southwest Incorporated – FRN 453588</li></ul>
a. Compare the Beneficiary's records to support that the Service Provider's bill to the Beneficiary was processed (reviewed and paid) in accordance with the Beneficiary's standard procedures.	KPMG compared the Beneficiary's records, typically the related invoices, to support that the Service Provider's bill to the Beneficiary was processed (reviewed and paid) in accordance with the Beneficiary's standard procedures.  <i>No exceptions were noted.</i>
b. Verify that supporting documentation exists for the approval of the invoice in accordance with the Beneficiary's standard procedures.	KPMG verified that supporting documentation (typically a copy of the invoice with the E-Rate Director's signature) existed for the approval of the invoices.  <i>No exceptions were noted.</i>
c. Compare the discount percentage as submitted on the reimbursement forms to the discount percentage documented in the related Funding Commitment Decision Letter issued by USAC and verify that it was applied appropriately.	KPMG compared the discount rate as submitted on the reimbursement forms to the Funding Commitment Decision Letter and verified that it was applied appropriately.  <i>No exceptions were noted.</i>



Procedure 13	Result(s)
g. Compare the SPIs to the Service Provider's bill to the Beneficiary. Verify that the total billed costs (to the Universal Service Fund (USF) program and Beneficiary) do not exceed the total cost of the eligible products and services delivered under the FRN and that the Service Provider is only seeking reimbursement of eligible costs and applied the approved discount rate.	KPMG compared the Service Providers FCC Form 474 (SPI) to the Service Provider's bill to the Beneficiary and verified that the total billed costs did not exceed the total cost of the eligible products and services delivered under the FRN and that the Service Provider was only seeking reimbursement of eligible costs and applied the approved discount rate.  <i>No exceptions were noted.</i>
h. For BEAR transactions, verify that the Beneficiary paid all amounts to the Service Provider and is only seeking reimbursement of eligible paid costs and applied the approved discount rate.	For BEAR transactions, KPMG verified, by inspection of invoices, that FWISD paid all amounts to the Service Provider and is only seeking reimbursement of eligible paid costs and applied the approved discount rate.  <i>No exceptions were noted.</i>
i. Compare the Beneficiary's asset/inventory records to selected invoices to verify that the billed equipment is listed on the inventory (including make, model and serial number).	KPMG compared equipment purchases indicated on Service Provider invoices to the Beneficiary's asset/inventory records, including make model and serial number for equipment and scope of work for wiring installation.  <i>No exceptions were noted.</i>
j. Identify eligible equipment or services listed on the asset records that are located in non-classroom buildings or library facilities that do not directly serve patrons by inquiry of the Beneficiary or review of other supporting information. For any such equipment or services, verify that the building(s) are "conditionally eligible" for USF support.	FWISD informed KPMG there were no eligible services listed on the asset records that are located in non-classroom buildings or library facilities that do not directly serve patrons. Therefore, this procedure is not applicable.

Procedure 14	Result(s)
Perform site visits to the Service Provider(s).	KPMG and USAC agreed not to perform Service Provider site visits at this time.

Procedure 15	Result(s)
Select five (5) individual schools for a site visit and perform the following	KPMG visited five (5) schools: Elder Middle School and Auxiliary, A.M. Pate Elementary School, Riverside Middle School, Sagamore Hill Elementary School, and Sims Elementary School on March 18, 2003.



Procedure 13	Result(s)
<p>d. Verify that Beneficiary source documents support the services and/or products billed and that the Beneficiary documented review and approval for products and services being billed to determine that the Service Provider only applied discounts to services and/or products included in the ESL.</p>	<p>KPMG agreed the services listed on the purchase orders and Service Provider invoices for which discounts were taken to the ESL and noted the following exception:</p> <p><i>There were ineligible services submitted for reimbursement in FY 2000. Per review of the May 2001 Southwestern Bell invoice totaling \$84,192, KPMG noted the Fort Worth Independent School District received reimbursement for ineligible services which were improperly submitted on the 472 Form (BEAR Form). These ineligible services with the associated dollar values from the May 2001 invoice are listed below:</i></p> <ul style="list-style-type: none"> <li>- 976 service charge number (\$3)</li> <li>- Late charges on past delinquencies (\$135)</li> <li>- Voice messaging data circuits charges (\$70)</li> <li>- Plexar service to the Fort Worth Independent School District's bus barns (\$17)</li> <li>- Case-by-case technical support where the school district pays the tariff rate for technical assistance (\$120)</li> <li>- Plexar (Centrex like) service not included in the approved technology plan (\$77,357)</li> </ul> <p><i>Other potential ineligible services:</i></p> <ul style="list-style-type: none"> <li>- Municipal charge (\$1,927)</li> </ul> <p><b>Management Response:</b></p> <p>The E-Rate Program Director stated that he was not responsible for reviewing the telecommunications E-Rate funded reimbursements in FY 2000. The manager that was responsible for telecommunications has since left the school district. KPMG was informed that the FWISD ceased submitting telecommunications services in the E-Rate program after FY 2000.</p>
<p>e. Identify any substitute services or products and compare these products or services to the FY 2000 ESL.</p>	<p>KPMG was informed that there were no substitute products or services for the Beneficiary.</p>
<p>f. Determine by reference to supporting documentation that non-discounted costs (Beneficiary's share) were paid timely and in accordance with contract and/or invoice terms.</p>	<p>KPMG reviewed supporting documentation and noted that the non-discounted costs (Beneficiary's share) were paid timely and in accordance with contract and/or invoice terms.</p> <p><i>No exceptions were noted.</i></p>

Procedure 12	Result(s)						
<p>a. Select five (5) invoices from the 5 FRNs selected in Procedure 9 above and compare invoices to contract terms and billing.</p>	<p>KPMG selected five invoices from the FRNs selected in Procedure 9 above and compared those invoices to contract terms and billing.</p> <p>KPMG noted the following exception:</p> <p><i>FWISD was unable to provide all the supporting documentation for the selected E-Rate reimbursements received in FY 2000. From the sample of five (5) FRNs, KPMG noted that FWISD could not provide sufficient documentation to support the USAC reimbursement for the following items listed below:</i></p> <table border="0"> <tr> <td data-bbox="817 734 1106 825"> <p><u>Service Provider</u> Education Service Center, Region XI</p> </td> <td data-bbox="1139 734 1412 915"> <p><u>Missing Documentation</u> KPMG was not able to review the supporting invoice and Purchase Order (FRN# 451564 - \$9K).</p> </td> </tr> <tr> <td data-bbox="817 946 1015 1010"> <p>Southwestern Bell Company</p> </td> <td data-bbox="1139 946 1428 1074"> <p>KPMG was not able to review the 2 of 3 invoices selected (FRN#480360 - \$1.1M).</p> </td> </tr> <tr> <td data-bbox="817 1095 1065 1127"> <p>MCI Communications</p> </td> <td data-bbox="1139 1095 1412 1223"> <p>KPMG was not able to review the supporting invoices selected (FRN#480362 - \$133K).</p> </td> </tr> </table> <p>USAC Schools and Library website section 'Retention of Records and Audits', states that "Applicants MUST maintain their records for at least five years to be able to comply with audits and other inquiries or investigations. USAC and the FCC visit a sample of applicants to ensure services have been delivered in compliance with FCC rules".</p> <hr/> <p><b>Management Response:</b></p> <p>The Chief Technology Officer stated that he believes that the FWISD would be able to locate the missing documentation with further research. The FWISD will contact the Service Providers if necessary to assist them in this process.</p>	<p><u>Service Provider</u> Education Service Center, Region XI</p>	<p><u>Missing Documentation</u> KPMG was not able to review the supporting invoice and Purchase Order (FRN# 451564 - \$9K).</p>	<p>Southwestern Bell Company</p>	<p>KPMG was not able to review the 2 of 3 invoices selected (FRN#480360 - \$1.1M).</p>	<p>MCI Communications</p>	<p>KPMG was not able to review the supporting invoices selected (FRN#480362 - \$133K).</p>
<p><u>Service Provider</u> Education Service Center, Region XI</p>	<p><u>Missing Documentation</u> KPMG was not able to review the supporting invoice and Purchase Order (FRN# 451564 - \$9K).</p>						
<p>Southwestern Bell Company</p>	<p>KPMG was not able to review the 2 of 3 invoices selected (FRN#480360 - \$1.1M).</p>						
<p>MCI Communications</p>	<p>KPMG was not able to review the supporting invoices selected (FRN#480362 - \$133K).</p>						
Procedure 13	Result(s)						



**REIMBURSEMENT PROCESS**

The following procedures are associated with the USAC E-Rate program process that FWISD utilized related to its FY 2000 Application to ensure the eligibility of Telecommunications, Internet Access, and Internal Connections. The procedures, the associated results, and any management responses obtained in relation to exceptions are documented in the following tables.

Procedure ID	Result(s)
Gain an understanding of the Beneficiary's reimbursement process by reviewing documents provided by the Beneficiary and through inquiry. Determine whether the Beneficiary's reimbursement process included tracking of E-Rate related expenditures and status of work performed in FY 2000.	KPMG obtained an understanding of the Beneficiary's reimbursement process by reviewing documents provided by the Beneficiary and through inquiries with Beneficiary personnel. KPMG determined that the Beneficiary's process included tracking of E-Rate related expenditures and status of work performed in FY 2000.
Procedure 11 If the Beneficiary filed any FCC Billed Entity Applicant Reimbursement (BEAR) forms (Form 472) for FY 2000, select five (5) completed BEAR forms and verify that they were signed by the Service Provider.	Result(s) KPMG inquired of the E-Rate Director regarding the existence of any BEAR forms for FY 2000. KPMG was informed that FWISD used both the Service Provider Invoice (SPI) Forms (Form 474) and BEAR Forms (Form 472) methods for reimbursement. KPMG selected a sample of five BEAR Forms related to the following FRNs and verified that they were signed by the Service Providers:  Education Service Center, Region XI – FRN 451564 Southwestern Bell Company – FRN 480360 True Technology Solutions – FRN 453003 Able Communications, Inc. – FRN 453191 MCI Communications Corporation - FRN 480362  <i>No exceptions were noted.</i>
Procedure 12 Obtain information about the beneficiary's reimbursement process to determine that eligible and ineligible items are properly segregated prior to submitting invoices to USAC for reimbursement.	Result(s) KPMG obtained information about the Beneficiary's reimbursement process through inquiries of Beneficiary personnel to determine that eligible and ineligible items were properly segregated prior to submitting invoices to USAC for reimbursement. KPMG was informed that the Director of the E-Rate program reviewed all products and services and agreed those products and services to the ESL.



Procedure 7	Result(s)
	<p><b>Management Response:</b></p> <p>The Director of the E-Rate Program stated that he did not believe that bidding procedures were necessary under state agency services. Also, he stated that he would research this item further to see whether there were any bidding procedures performed by the state.</p>

Procedure 8	Result(s)
<p>Select a sample of five Service Providers for FY 2000 E-Rate services and/or products. For each service provider selected, obtain the applicable FCC Forms 498 (Service Provider Registration Form) and FCC Forms 473 (Service Provider Annual Certification Form) and determine if those forms were completed in accordance with USAC requirements.</p>	<p>KPMG selected a sample of five Service Providers for FY 2000 and verified each Service Provider had completed the required FCC Form 498 or FCC Form 473. KPMG reviewed each Service Provider form to verify that all information had been completed per USAC requirements for the following Service Providers:</p> <ul style="list-style-type: none"><li>- Southwestern Bell Telephone</li><li>- Education Service Center, Region XI</li><li>- True Technology Solutions</li><li>- Able Communications, Inc.</li><li>- GTE Southwest Incorporated</li></ul> <p><i>No exceptions were noted.</i></p>



Procedure 4	Result(s)
If the Beneficiary is required to file an OMB Circular A-133 report, read the report(s), which included FY 2000 and note if any material deficiencies were reported. If a material deficiency was reported, identify and list those deficiencies that may impact the Schools and Libraries Universal Services Program funds in FY 2000.	KPMG obtained and read the OMB Circular A-133 report for the years ended June 30, 2000 and 2001 for FWISD to determine if any material deficiencies were reported.  <i>No material deficiencies were noted in the FWISD 2000 or 2001 fiscal years' OMB Circular A-133 reports.</i>

Procedure 5	Result(s)
Read the information regarding the Beneficiary's Technology Plan approval in Block 4, Line 8 on FCC Form 486 for FY 2000. Determine that the approver listed on this Form, is included on the SLD certified "Technology Plan Approvers" list for FY 2000, that the Technology Plan includes a signature documenting the approval, and that the Technology Plan was consistent with USAC requirements.	KPMG read the information in Block 4, Line 8 on FCC Form 486 for the Beneficiary, which indicated that the Texas Education Agency approved the Technology Plan. This party was identified by USAC as an authorized approver.  KPMG obtained a copy of the Beneficiary's Technology Plan and noted it was approved by the party identified above and was consistent with USAC requirements.  Per USAC Technology Plan guidelines located on the USAC website, to qualify as an approved Technology Plan for Universal Service discount, the plan must meet the following criteria that are core elements of successful school and library technology initiatives:  <ol style="list-style-type: none"><li>1) The plan must establish clear goals and a realistic strategy to ensure that staff know how to use these new technologies to improve education or library services;</li><li>2) The plan must have a professional development strategy to ensure that staff know how to use these new technologies to improve education or library services;</li><li>3) The plan must include an assessment of the telecommunication services, hardware, software, and other services that will be needed to improve education or library services;</li><li>4) The plan must provide for a sufficient budget to acquire and support the non-discounted elements of the plan: the hardware, software, professional development, and other services that will be needed to implement the strategy; and</li><li>5) The plan must include an evaluation process that enables the school or library to monitor progress toward the specified goals and make mid-course corrections in response to new developments and opportunities as they arise.</li></ol> KPMG noted, per review of FWISD's Technology Plan, that criteria 4, & 5 listed above are not supported by the plan.  <b>Management Response:</b>  The Director the E-Rate Program stated that he agreed that the FY 2000 Technology Plan did not meet the criteria listed above. The Chief Information Officer, stated that



Attachment A outlines the agreed-upon procedures for the Fort Worth Independent School District (“FWISD” or “Beneficiary”), the associated results, and any management responses obtained in relation to exceptions.

### APPLICATION PROCESS

The following procedures are associated with the USAC E-Rate application process for the Fort Worth Independent School District associated with its Funding Year (“FY”) 2000 Application. The procedures and associated results are documented in the following tables.

Procedure 1	Result(s)
Conduct Beneficiary Entrance Conference.	<p>On March 17, 2003, KPMG conducted the entrance conference with the Fort Worth Independent School District personnel responsible for the E-Rate program, including the Chief Technology Officer and the E-Rate Director.</p> <p>In general, KPMG provided an overview of the process, introduced the team members that will be conducting the agreed-upon procedures and discussed how findings would be communicated with the Fort Worth Independent School District. A general timeline for the site review was also discussed and agreement was reached that the closing meeting would be held on or before March 27, 2003.</p>

Procedure 2	Result(s)
<p>Obtain the following documentation from the Beneficiary related to its FY 2000 Application for the purposes of completing the procedures enumerated throughout this document:</p> <ul style="list-style-type: none"><li>a. Technology Plan and related approval letter (note: request related Technology Plan(s) for individual schools within the school district and the capital budgets supporting the Technology Plans, if applicable).</li><li>b. Fiscal year 2000 and 2001 technology budgets and/or school appropriations related to the E-Rate program for FY 2000.</li><li>c. Copies of U.S. Office of Management and Budget (OMB) Circular A-133 report for fiscal years 2000 and 2001, if Beneficiary is required to have a Single Audit.</li><li>d. Copies of fiscal year 2000 and 2001 financial statements.</li><li>e. Basis for discount calculation on FCC Form 471 (i.e., rural vs. urban classification, number of students eligible for the National School Lunch</li></ul>	<p>KPMG obtained the listed documentation made available by USAC and the Beneficiary.</p>

- 
- The applicant was unable to provide invoice documentation for Billed Entity Applicant Reimbursement Form for three funding reimbursement numbers.
  - The auditors noted ineligible services on one monthly telecommunications invoice.
  - Equipment could not be located at one inventory site.

The SLD is seeking recovery of \$169,649.67 for non-compliance in the area noted above. Details on these and other audit findings and responses are discussed in the attached report.

This report is intended solely for the use of USAC 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. However, this report is a matter of public record and its distribution is not limited.

cc: Ms. Cheryl Parrino, USAC Chief Executive Officer  
Mr. Scott Barash, USAC Vice President and General Counsel