



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: August 27, 2003

TO: Chief, Wireline Competition Bureau

FROM: Inspector General

SUBJECT: Report on Audit of the E-Rate Program at Albermarle Regional Library System

The Office of Inspector General (OIG) has completed an audit at Albermarle Regional Library System, a beneficiary of the Universal Service Fund (USF). A copy of our Report No. 02-AUD-02-04-16, entitled "Report on Audit of the E-rate Program at Albermarle Regional Library System" is attached. The objective of this review was to assess the beneficiary's compliance with the rules and regulations of the USF program and to identify areas in which to improve the program.

Based on the results of the review, the auditors have concluded that the Albermarle Regional Library System is compliant with the requirements of the program for the funding year reviewed. We held a telephonic exit conference with the beneficiary's representative on September 8, 2002 and requested his comments on the results of the review. He agreed with the results of the review.

In addition to the report, we have attached a copy of the OIG Customer Survey on Audit Products/Services. Please complete and return the questionnaire. If you have any questions, please contact Thomas Cline, Assistant Inspector General for Audit, at (202) 418-7890.

A handwritten signature in black ink, appearing to read "H. Walker Feaster III". The signature is stylized and includes a large flourish at the end.

H. Walker Feaster III

Attachments

cc: George McDonald, Vice President, Schools and Libraries Division, USAC
Andrew Fishel, Managing Director
Jerry Cowden, Performance Evaluation and Records Management
Gary Hoyle, Director, Albermarle Regional Library System

FEDERAL COMMUNICATIONS COMMISSION

OFFICE OF INSPECTOR GENERAL



Report on Audit of the E-Rate Program At Albermarle Regional Library System

Report No. 02-AUD-02-04-16
August 27, 2003

Handwritten signature of H. Walker Feaster III in black ink, written over a horizontal line.

H. Walker Feaster III
Inspector General

Handwritten signature of Thomas D. Bennett in black ink, written over a horizontal line.

Thomas D. Bennett
Assistant Inspector General for USF
Oversight

Handwritten signature of Jeffery Stover in black ink, written over a horizontal line.

Jeffery Stover
Senior Auditor

Handwritten signature of Thomas C. Cline in black ink, written over a horizontal line.

Thomas C. Cline
Assistant Inspector General for Audit

Audit of the E-rate Program at Albermarle Regional Library System

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Audit of the E-rate Program at Albermarle Regional Library System

AUDIT OBJECTIVE AND SCOPE

The OIG has designed a program of audit oversight to provide Federal Communications Commission (FCC) management with reasonable assurance that beneficiaries are complying with program rules and that program controls are adequate to prevent fraud, waste and abuse. This audit was conducted as part of that oversight program. The objective of this review was to assess the beneficiary's compliance with the rules and regulations of the Universal Service Fund (USF) program (also known as the E-rate program) and to identify opportunities to improve the program. The scope of this audit was designed to test compliance with program requirements contained in Title 47, Part 54 of the Code of Federal Regulations (47 CFR 54.500 through 47 CFR 54.520) that include:

- A process has been established to select the most cost effective service provider
- Equipment and services are purchased in accordance with applicable procurement rules and regulations, and the applicant has paid its portion of the pre-discounted costs.
- Services rendered are consistent with what the beneficiary presented on its application for E-rate funds and were installed or provided before the installation deadline.
- The beneficiary has adequate resources, as certified to use the discounted services for which funding has been provided.
- The beneficiary has an approved technology plan, as certified.

Albermarle Regional Library System is comprised of seven library sites that are located in four counties within a rural region of North Carolina. The period of our review was from July 1, 1999 to June 30, 2000, which comprises Funding Year 2 of the E-rate program. We performed our fieldwork at the Albermarle Regional Library System and visited six libraries within the library system. Schools and Libraries Division (SLD) Year 2 funding disbursements amount approximately \$24,000, of which 81% was for internal connections and 19% was for telecommunications services.

This audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. As part of the scope of our audit, we obtained an understanding of the specific management controls relevant to the E-rate program. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all material weaknesses in the control structure.

RESULTS OF AUDIT

Our audit of the use of E-rate funds at the Albermarle Regional Library System disclosed that the beneficiary is compliant with the requirements of the program. No material weaknesses were disclosed in the controls relevant to the E-rate program. We held a telephonic exit conference on September 8, 2002 with the beneficiary's representative,

and requested his comments on the results of the review. He agreed with the results of the review.

BACKGROUND INFORMATION

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General at the FCC has oversight responsibilities for the USF as a program of the FCC. The USF provides affordable access to specified telecommunications services for all communities, regardless of location or economic strata. On May 7, 1997, the FCC adopted a Universal Service Order implementing the Telecommunications Act of 1996. Included in this Order was the Schools and Libraries Funding Mechanism of the USF (hereinafter known as the E-rate program) in which all eligible schools and libraries can receive discounts from the USF on eligible telecommunication services ranging from 20 to 90 percent, depending on economic need and location. The Universal Service Administrative Company (USAC) is responsible for administering the Fund under the direction of the FCC's Wireline Competition Bureau (WCB). The SLD of USAC administers the E-rate program.

USF discounts can be applied to three kinds of services and products:

- Telecommunication services, including basic phone service.
- Internet access and Internet service.
- Internal connections, including wiring and network equipment needed to bring information directly to classrooms or library patrons.