

**Performance Audit Report**  
**of the**  
**Parker Unified School District's**  
**(Beneficiary No. 142999)**  
**Compliance with the Schools and Libraries (E-rate)**  
**Program Requirements for Funding Year 2009**  
**(July 1, 2009 through June 30, 2010)**  
**for the**  
**Federal Communications Commission**  
**Office of Inspector General**  
**Report No. 13-AUD-12-27**

**Audit Performed**  
**by**  
**CliftonLarsonAllen LLP**

**July 1, 2014**



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## **EXECUTIVE SUMMARY**

### ***Why We Did This Audit***

CliftonLarsonAllen LLP (CLA) was engaged by the Federal Communications Commission (FCC) Office of the Inspector General (OIG) to assess Parker Unified School District's (Parker USD) (Beneficiary No. 142999) compliance with applicable requirements of 47 C.F.R Part 54.500 through 54.523 of the FCC rules and related orders for the School and Libraries (E-Rate) program and to determine whether the E-Rate program at Parker USD can be made more effective and efficient. The scope of the audit was the total funds, shown in Table 1 below, received by the Parker USD from the Universal Service Fund (USF) E-Rate program for funding year 2009 (July 1, 2009 to June 30, 2010).

### ***What We Found***

Our audit found that Parker USD was in compliance with applicable requirements of FCC rules and related orders we tested for the E-Rate program for funding year 2009 and the Parker USD E-Rate program was efficient and effective. However, our audit found an internal control deficiency related to the submission of FCC Form 471, *Services Ordered and Certification Form*. The student enrollment and eligible student numbers for Wallace Elementary School and Wallace Jr. High School on the FCC Form 471 submitted to Universal Service Administrative Company (USAC) were incorrect when compared to the supporting documents. Parker USD explained that estimates, instead of actual student enrollment and eligible student numbers, were erroneously entered in the form. The discounts and weighted average discounts would have been the same if the correct enrollment and eligible student numbers had been entered into the Form 471. There was no monetary effect on the error, but the lack of review of the form prior to submission shows a weakness in internal control over the discount calculation and Form 471 processing at Parker USD.

### ***What We Recommended***

We recommended that Parker USD develop and implement a process where someone other than the preparer completes a review of all data input into forms before submission to USAC.

## ***Beneficiary Comments and Our Response***

In a written response and during our exit conference on March 28, 2014, Parker USD management agreed with the audit finding, conclusion, and recommendation. The Parker USD management outlined the review process it will implement to ensure accurate student enrollment and eligible student numbers are reported in FCC Form 471. We believe that Parker USD's effective implementation of its proposed review process will correct the control deficiency we identified.

### **PROGRAM BACKGROUND**

#### **E-Rate Program<sup>1</sup>**

The schools and libraries universal service support program, commonly known as the E-Rate program, helps schools and libraries to obtain affordable telecommunications services, broadband Internet access and internal network connections.

Eligible schools, school districts and libraries may apply individually or as part of a consortium. Funding may be requested under five categories of service: telecommunications, telecommunications services, Internet access, internal connections, and basic maintenance of internal connections. Discounts for support depend on the level of poverty and whether the school or library is located in an urban or rural area. The discounts range from 20 percent to 90 percent of the costs of eligible services. E-Rate program funding is based on demand up to an annual FCC-established cap of about \$2.3 billion.

The E-Rate program is administered by USAC under the direction and oversight of the FCC. Specifically, USAC is responsible for processing the applications for support, confirming eligibility, and reimbursing service providers and eligible schools and libraries for the discounted services. USAC also ensures that the applicants and service providers comply with the E-Rate rules and related orders established by the FCC.

#### **FCC**

The FCC regulates interstate and international communications by radio, television, wire, satellite, and cable in all 50 states, the District of Columbia and U.S. territories. An independent U.S. government agency overseen by Congress, the FCC is the United States' primary authority for communications law, regulation and technological innovation.<sup>2</sup>

#### **Parker Unified School District<sup>3</sup>**

Parker USD is a rural public school district, located in western Arizona. The district has five schools (Blake Primary School, Le Pera Elementary, Wallace Elementary, Wallace Junior High, and Parker High School) and approximately 2000 students.

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<sup>1</sup> <http://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program>

<sup>2</sup> <http://www.fcc.gov/what-we-do>

<sup>3</sup> <http://www.parkerusd.k12.az.us/departments/district/data.htm>

**AUDIT OBJECTIVE AND SCOPE**

The objective of our performance audit is to assess Parker USD compliance with applicable requirements of 47 C.F.R Part 54.500 through 54.523 of the FCC rules and related orders for the E-Rate program support received from the USF for funding year 2009 and to determine whether the E-Rate program at Parker USD can be made more effective and efficient.

Table 1 shows the E-Rate program funding received by Parker USD for funding year 2009 by Funding Request Number (FRN). The total funding of \$1,452,125 funded Parker USD's Internal Connections (\$1,210,594), Basic Maintenance of Internal Connections (\$92,295), Telecommunications (\$36,510) and Internet Access (\$112,726).

Table 1: Funding Year 2009 E-Rate Program Disbursements Made to Parker USD

<b>Form 471 Number</b>	<b>FRN</b>	<b>Disbursement</b>
681421	1862153	\$23,943
681421	1873897	\$10,187
681421	1873930	\$1,976
681421	1873967	\$404
681421	1873783	\$44,352
681421	1873871	\$68,374
685293	1874200	\$56,966
685293	1896338	\$35,328
685293	1896348	\$860,252
685293	1896358	\$350,343
<b>Total</b>		<b>\$1,452,125</b>

## **AUDIT METHODOLOGY**

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards established by the U.S. Government Accountability Office (GAO). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Because of inherent limitations, a study and evaluation made for the limited purposes of our audit would not necessarily disclose all weaknesses related to Parker USD compliance with the applicable FCC program rules and related orders. The Office of the Inspector General (OIG) contracted CLA LLP to conduct this audit consistent with the OIG's authority under the Inspector General Act of 1978. Upon completion of audit fieldwork, CLA issued a draft audit report with a detailed finding and recommendation to Parker USD and FCC management for their response. FCC submitted our audit report to USAC management to obtain their response. The responses from Parker USD and USAC are included in the final audit report. FCC management concurred with the USAC response.

We reviewed all applicable FCC Forms, tested applicant eligibility, technology plan preparation, the discount calculation and methodology, and evaluated Parker USD compliance with the Children's Internet Protection Act (CIPA). In addition, we performed a physical inventory of 100% of the equipment purchased with E-Rate funds and reviewed the Parker USD processes for procurement, invoicing and records maintenance.

Our general audit methodology included:

- Assessing audit risks and significance within the context of our audit objective.
- Assessing whether Parker USD effectively used the E-Rate funding they received.
- Updating our understanding of the E-Rate program processes and procedures.
- Identifying sources of evidence and the amount and type of evidence required.
- Reviewing prior audit reports for the program that could be relevant to the audit objective.
- Conducting fieldwork the week of February 24, 2014, in Parker, AZ.

To implement our audit methodology, we performed the following audit procedures:

- Gathered information from USAC and the beneficiary's website.
- Interviewed the FCC OIG to obtain information about the beneficiary.
- Reviewed current FCC rules and orders, and policies and procedures.
- Developed an internal control questionnaire related to the internal controls over the beneficiary's E-Rate activities.
- Coordinated the site visit with FCC OIG and Parker USD staff.
- Assessed Parker USD's control environment, gained an understanding of the site operations, interviewed Parker USD personnel, and performed a physical inventory of the E-Rate equipment.

- Performed walkthroughs, inspected documents, and re-performed work to verify the existence of internal controls at Parker USD.
- Obtained and reviewed all required FCC forms to verify beneficiary's eligibility.
- Determined that Parker USD properly certified and filed all applicable FCC forms for funding year 2009 in accordance with FCC regulations.
- Obtained and reviewed the technology plan, internet policies, and the discount calculation methodology to ensure compliance with FCC regulations.
- Reviewed the procurement process and related documentation to ensure Parker USD conducted a fair and open bidding process, had valid contracts on file, and was in compliance with FCC regulations.
- Completed a 100 percent physical inventory of the equipment purchased during funding year 2009.
- Tested 100 percent of the funding year 2009 USAC disbursements and adequacy of supporting documentation such as vendor invoices and supporting contracts/agreements at Parker USD.
- Verified that Parker USD paid its non-discount portion for the equipment purchased and services they received that were supported by the E-Rate program.

## **AUDIT RESULTS**

Our audit found that Parker USD was in substantial compliance with applicable requirements of FCC rules and related orders we tested for the E-Rate program for funding year 2009. We did not identify any significant weaknesses with Parker USD's implementation of the E-Rate program that would result in inefficiency or ineffectiveness. Therefore, no recommendations have been made to the FCC regarding the E-Rate program. However, our audit found an internal control deficiency related to the submission of FCC Form 471, *Services Ordered and Certification Form*.

### **1. Details of the Audit Finding:**

#### ***Lack of Review over Discount Calculations Performed on FCC Form 471***

Our tests disclosed that the student enrollment and the number of eligible students for Wallace Elementary School and Wallace Jr. High School on the FCC Form 471 (Form 471) submitted to USAC were incorrect when compared to the supporting documents. Parker USD explained that estimates, instead of actual student enrollment and eligibility numbers, were incorrectly entered into the form. The discounts and weighted average discounts would have been the same if the correct numbers were entered into the Form 471, and therefore, there was no monetary effect. However, there is a risk that the lack of review control over the discount calculation and Form 471 processing may result in errors that have potential monetary impact.

To begin the Form 471 reporting process, the E-Rate Consultant inputs the information from the previous year's Form 471, and then changes them to the current year's figures. The Parker

USD Network Administrator stated that the differences in numbers did not raise a concern to Parker USD at the time because the percentages were in the range that was expected. As a result, inaccurate numbers were used to calculate the discount percentages at Parker USD.

47 CFR Part 54, Subpart F, 54.505 states that:

- (a) Discount mechanism. Discounts for eligible schools and libraries shall be set as a percentage discount from the pre-discount price.
- (b) Discount percentages. The discounts available to eligible schools and libraries shall range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers, as defined in this subpart. The discounts available to a particular school, library, or consortium of only such entities shall be determined by indicators of poverty and high cost.
  - (1) For schools and school districts, the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism. School districts applying for eligible services on behalf of their individual schools may calculate the district-wide percentage of eligible students using a weighted average.

### ***Recommendation***

We recommend that Parker USD develop and implement a process where someone other than the preparer complete a review of all data input into forms before submission to FCC.

### ***Beneficiary Response***

The corrective action that will be taken by Parker USD to ensure accurate numbers are entered into Form 471 in the future will be:

1. Once Form 471 is completed, the district's IT Director will review the data input for accuracy.
2. When the IT Director has completed his/her review, Form 471 will be forward to the Assistant Superintendent, who will conduct a second thorough review of the data for accuracy.
3. Once the two reviews have been conducted and any necessary corrections are made, Form 471 will be submitted.

This two-step review process will be implemented by the District immediately.

### ***CLA Response***

Parker USD management agreed with our finding, conclusion, and recommendation. We believe that Parker USD's effective implementation of its proposed review process will correct the control deficiency we identified in the audit finding.

### ***USAC Management Response***

PUSD used estimated student enrollment and National School Lunch Program (NSLP) eligibility numbers instead of the actual numbers on its FCC Form 471. The auditors recalculated the discount level and weighted average discount using PUSD's actual student enrollment and NSLP eligibility numbers and determined that the discount level and weighted average discount remained the same. Therefore, recovery is not warranted. Because estimated student enrollment and NSLP eligibility numbers may not match the actual numbers, there is a risk that using estimated student enrollment and NSLP eligibility numbers on the FCC Form 471 may result in an incorrect discount level or weighted average discount. To avoid this risk, PUSD should use the actual student enrollment and NSLP eligibility numbers on FCC Form 471. PUSD acknowledges the finding and has indicated they will implement a two-step review process to ensure the correct student enrollment and NSLP eligibility data is reported on FCC Form 471. USAC management concurs with the finding and recommendation.

### ***CLA Response to USAC Management Comments***

USAC management agreed with our finding and recommendation.

**2. Details of the Audit Observation:**

***Efficiency and Effectiveness***

We found that the Parker USD E-Rate program as implemented to be efficient and effective. There were no significant findings or recommendations for the audit objective to determine whether the program can be made more efficient or effective.

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**This report is for the purpose of complying with the audit requirements of the FCC OIG as described in the audit objective. Accordingly, this report is not suitable for any other purpose.**

*CliftonLarsonAllen LLP*

**CLIFTONLARSONALLEN LLP**

Arlington, Virginia  
July 1, 2014