



## **OFFICE OF INSPECTOR GENERAL**

### **MEMORANDUM**

**DATE:** February 3, 2003

**TO:** Chief, Wireline Competition Bureau

**FROM:** Inspector General

**SUBJECT:** Report on Special Review of the E-Rate Program at Robeson County Public School System

The Office of Inspector General (OIG) has completed a Special Review at Robeson County Public School System, a beneficiary of the Universal Service Fund (USF). A copy of our Special Review Report No. 02-AUD-02-04-13, entitled "Report on Special Review of the E-rate Program at Robeson County Public School 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 Robeson County Public School System is compliant with the requirements of the program for the funding year reviewed. However, our review disclosed a reportable condition in that the beneficiary was not timely in submitting non-discounted payments to the vendor. We held a telephonic exit conference with the beneficiary's representative on April 15, 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, Director of Program Audits, at (202) 418-7890.

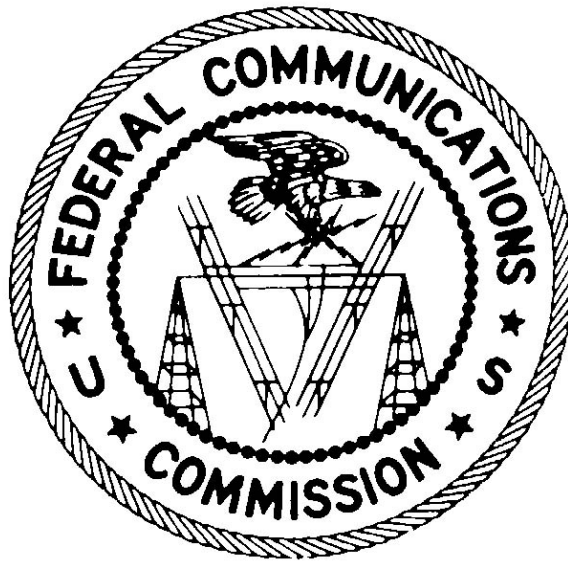
H. Walker Feaster III

#### Attachments

cc: George McDonald, Vice President, Schools and Libraries Division, USAC  
Andrew Fishel, Managing Director  
Jerry Cowden, Performance Evaluation and Records Management  
Todd Russ, Director of Technology, Robeson County Public School System

# FEDERAL COMMUNICATIONS COMMISSION

## OFFICE OF INSPECTOR GENERAL



### Report on Special Review of the E-Rate Program at Robeson County Public School System

**Report No. 02-AUD-02-04-13**  
**February 3, 2003**

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H. Walker Feaster III  
Inspector General

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Thomas D. Bennett  
Assistant Inspector General for Audit

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Jeffery Stover  
Senior Auditor

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Thomas C. Cline  
Director of Program Audits

## Special Review of the E-rate Program at Robeson County Public School System

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REVIEW OBJECTIVE AND SCOPE

The OIG has designed a program of audit oversight to provide 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 special review 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 USF program and to identify opportunities to improve the program. The scope of this special review 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.

Robeson County Public School System is located in 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 Robeson County Public School System of Lumberton, North Carolina and visited six schools in the Lumberton, North Carolina vicinity. SLD Year 2 funding disbursements amount to \$8,828,413, of which 98% was for internal connections and 2% was for telecommunications services.

This special review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. As part of the scope of our review, 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 REVIEW

Our review of the use of E-rate funds at the Robeson County Public School System disclosed that the beneficiary is compliant with the requirements of the program. Our review disclosed no material weaknesses in the controls relevant to the E-rate program. However, we have identified a reportable condition that, while not materially deficient, represents a weakness in the beneficiary's E-rate program. We found that the school system failed to remit all non-discounted E-rate funds to the subject vendor. This matter

## Special Review of the E-rate Program at Robeson County Public School System

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was resolved by the Robeson County Public School System when it paid \$43,472 to the subject vendor. We held a telephonic exit conference on April 15, 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 Federal Communications Commission has oversight responsibilities for the Universal Service Fund (USF) as a program of the Federal Communications Commission (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 Schools and Libraries Division (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.

### OTHER OBSERVATIONS

During the course of the audit, the Robeson County Public School System could not substantiate its payment of all of its non-discounted E-rate funds to a vendor. We determined that the Robeson County Public School System failed to remit \$43,472 to the subject vendor. This matter was resolved when the Robeson County Public School System paid this amount to the subject vendor.