



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: May 25, 2004

TO: Chairman

FROM: Inspector General

SUBJECT: Report on Audit of the E-rate Program at Southern Westchester Board of Cooperative Educational Services (SWBOCES)

The Office of Inspector General (OIG) has completed an audit at Southern Westchester Board of Cooperative Educational Services (SWBOCES), a beneficiary of the Universal Service Fund (USF). A copy of our audit report no. 02-AUD-02-04-003, entitled "Report on Audit of the E-rate Program at Southern Westchester Board of Cooperative Educational Services (SWBOCES)" 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.

We have concluded that SWBOCES was compliant with the requirements of the program for funding year 1999. We held an exit conference on March 9, 2002 with the consortium's representatives and requested their comments on the results of the audit. They agreed with the results of the audit.

If you have any questions, please contact Thomas Cline, Assistant Inspector General for Audits, at (202) 418-7890.

A handwritten signature in black ink, appearing to read "H. Walker Feaster III".

H. Walker Feaster III

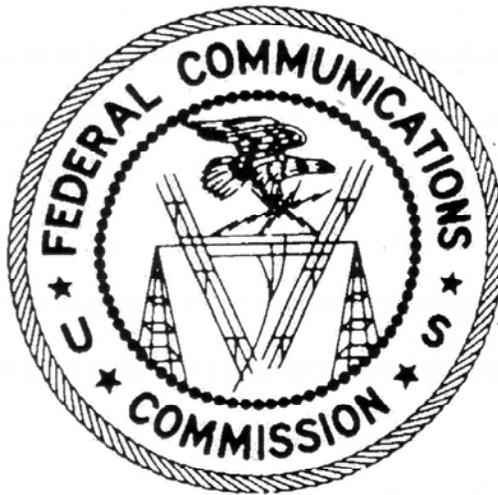
Attachment

Copy furnished:

Mr. James O'Brien, Director, Lower Hudson Regional Information Center, SWBOCES
George McDonald, Vice President, Schools and Libraries Division, USAC
Chief, Wireline Competition Bureau
Jerry Cowden, Performance Evaluation and Records Management

FEDERAL COMMUNICATIONS COMMISSION

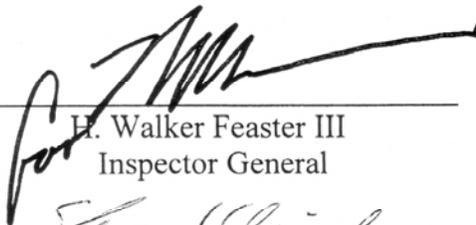
OFFICE OF INSPECTOR GENERAL



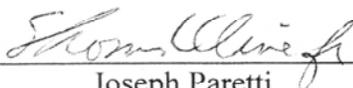
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Southern Westchester Board of Cooperative Educational Services
(SWBOCES)

Report No. 02-AUD-02-04-003

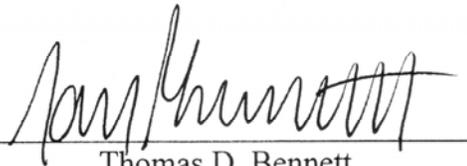
May 25, 2004



H. Walker Feaster III
Inspector General



Joseph Paretti
Senior Auditor



Thomas D. Bennett
Assistant IG for USF Oversight



Thomas C. Cline
Assistant Inspector General for Audits

Report on Audit of the E-rate Program at Southern Westchester Board of Cooperative Educational Services (SWBOCES)

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BACKGROUND INFORMATION

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General (OIG) at the Federal Communications Commission (FCC) has oversight responsibilities for the Universal Service Fund (USF) as a federal program of the FCC. The USF provides affordable access to specified communications services for schools, libraries, rural health care providers, low-income consumers and companies serving high-cost areas. 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 communication 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.
- Internal connections, including wiring and network equipment needed to bring information directly to classrooms or library patrons.

Southern Westchester Board of Cooperative Educational Services (SWBOCES) is a New York state regional public education collaborative. There are 38 boards of cooperative educational services (BOCES) statewide. SWBOCES was established in 1948 by the New York State Commissioner of Education and the Board of Regents for the purpose of providing shared educational and management services to schools and school districts in its geographic region, which covers 35 school districts serving over 100,000 students in the southern half of Westchester County.

SWBOCES is comprised of various centers: the Center for Career Services, the Center for Special Services, the Center for Adult & Community Services, and the Lower Hudson Regional Information Center (LHRIC). The LHRIC serves three BOCES organizations: SWBOCES, Putnam/Northern Westchester BOCES and Rockland BOCES. The LHRIC provides services to 62 school districts in the three-county area with an enrollment of over 165,000 students. These services focus on long-range technology planning and ongoing support for using technology to enhance education, communication, business management and records management. The LHRIC submitted E-rate forms on behalf of the 62 school districts.

The following table summarizes the funding commitments and disbursements for FY 1999, the period of our audit.

Report on Audit of the E-rate Program at Southern Westchester Board of Cooperative Educational Services (SWBOCES)

<u>Services</u>	<u>Funds Committed</u>	<u>Percent</u>	<u>Funds Disbursed</u>	<u>Percent</u>
Internal Connections	\$3,773,029	71%	\$2,977,174	70%
Internet Access	90,900	2%	0	0%
Telecommunications	<u>1,414,560</u>	<u>27%</u>	<u>1,274,667</u>	<u>30%</u>
Total	<u>\$5,278,489</u>	<u>100%</u>	<u>\$4,251,841</u>	<u>100%</u>

AUDIT OBJECTIVES AND SCOPE

The OIG has designed a program of audit oversight to provide FCC management with a reasonable level of assurance that beneficiaries are complying with program rules and that program controls are adequate to prevent fraud, waste and abuse. 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.

The scope of this audit was designed to test beneficiary 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) which provide that:

- The beneficiary determines its discount percentage 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.
- 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.

The period of our audit was from July 1, 1999 to June 30, 2000, which comprises Funding Year 1999 of the E-rate program.

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 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 AUDIT

Our audit of the use of E-rate funds at SWBOCES disclosed that the beneficiary was compliant with the requirements of the program for funding year 1999. We held an exit conference on March 9, 2002 with the consortium's representatives and requested their comments on the results of the audit. They agreed with the results of the audit.