



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: February 5,2003

TO: Chief, Wireline Competition Bureau

FROM: Inspector General

SUBJECT: Report on Special Review of the E-rate Program at Wake County Public School System

The Office of Inspector General (OIG) has completed a Special Review at Wake County Public School System, a beneficiary of the Universal Service Fund (USF). A copy of our Special Review Report, entitled "Report on Special Review of the E-rate Program at Wake County Public School System, Report No. 02-AUD-02-04-14" 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 Wake County Public School System is compliant with the requirements of the program for the funding year reviewed. We held an exit conference with the beneficiary's representative on December 7, 2001 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.

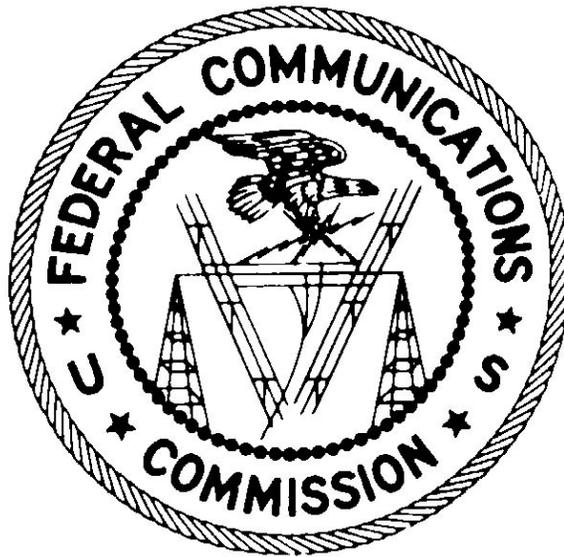
H. Walker Feaster III

Attachments

cc: George McDonald, Vice President, Schools and Libraries Division, USAC
Andrew Fishel, Managing Director
Jerry Cowden, Performance Evaluation and Records Management
Riley Reiner, Dir of Telecommunications, Wake County Public School System

FEDERAL COMMUNICATIONS COMMISSION

OFFICE OF INSPECTOR GENERAL



Report on Special Review of the E-rate Program at Wake County Public School System

Report No. 02-AUD-02-04-14
February 3, 2003

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Inspector General

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

Table of Contents

	<u>Page</u>
REVIEW OBJECTIVES AND SCOPE	1
RESULTS OF REVIEW	1
BACKGROUND INFORMATION	2

REVIEW OBJECTIVE 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. 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 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.

The Wake County Public School System (WCPS) is located in Raleigh, 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 Wake County Public School System of Raleigh, North Carolina and visited three schools in the Raleigh, North Carolina vicinity. WCPS received E-rate funding for basic voice telephone service only. Because of the school system's low discount rate, 46%, WCPS did not apply for internal connections. Schools and Libraries Division Year 2 commitments amount to \$1,223,828 and disbursements were \$842,225.

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 Wake 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. We held an exit conference on December 7, 2001 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 federal 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 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.