RFQ Summary

Forward RFQ | Modify RFQ | Cancel RFQ

Selected vendor(s) were notified

RFQ ID **RFQ277524**	**Reference #** FCC-RFQ08000009
RFQ Title UNIVERSAL SERVICE FUND - Low Income Audit Support Services	
RFQ Status Open	**Delivery Days** Period of Performance 05/15/2008 through 02/11/2009
RFQ Issue Date 05/01/2008 11:16:46 AM EDT	**RFQ Close Date** 05/09/2008 12:00:00 PM EDT

Line Items

Mfr. part No/NSN/Item	Manufacturer	Product/Service Name	Qty	Unit	Ship Address
Partner	Low Income	Audit Support Service	6	HR	1
Project Manager	Low Income	Audit Support Service	6	HR	1
Senior Audit Manager	Low Income	Audit Support Service	18	HR	1
Senior Auditor	Low Income	Audit Support Service	78	HR	1
Staff Auditor	Low Income	Audit Support Service	310	HR	1

Description

This RFQ will result in the issuance of a maximum of nine (9) task orders to a maximum of nine (9) different schedule holders to perform an indefinite quantity of audits with a definite delivery of all IPIA data NOT-LATER-THAN July 30, 2008. As such, the Federal Communications Commission (FCC), Office of the Inspector General (OIG), requires independent low income audit support services for the Universal Service Fund (USF). Travel and other direct costs (ODCs) are anticipated, but undetermined. Thus, a ceiling of anticipated travel and ODCs will be established prior to the issuance of each sub-task order. Labor-mix and estimated hours indicated in this RFQ are based on historical data of performing low income audits.

Attached Documents:

RFQ SUBMISSION REQUIREMENTS.doc
Quotation Cover.doc
SOO for Low Income Audits Support.doc
Attachment D List of Audits by State.doc
Past Performance Contact Information Sheet.doc

Shipping Address

(1) FCC:

Federal Communications Commission
445 12TH STREET, SW
A 1462
Washington, DC 20554

Individual Receiving Shipment
SHELVIA N. ARMSTRONG
202-418-1439
SHELVIA.ARMSTRONG@FCC.GOV

RFQ SUBMISSION REQUIREMENTS
LOW INCOME AUDITS SUPPORT

The technical quote **shall not exceed twenty (20) pages, excluding** table of contents, cover sheet, resumes, price information and past performance attachment. A page is defined as one side of an 8½" x 11" sheet of white, un-textured paper, single-spaced, with at least one inch margins on all sides, using not smaller than 10 characters per linear inch or be smaller than twelve (10) point, and shall not exceed six (6) lines per vertical inch. However, any charts, graphics and/or past performance information sheets may be in 10 point font. Information may be submitted on single or double-sided sheets, but shall not exceed this page limitation.

The quote shall be provided electronically, (via electronic mail attachment) and formatted for personal computers using Microsoft software and or Acrobat. **Offerors shall complete and submit the Quotation Cover Page and the Past Performance Contact Information Sheet.**

Evaluation Methodology: Source Selection will be based on best value. All non-price factors are significantly more important than price.

Evaluation Criteria:

Factor 1 – Technical Capability

Sub-factor 1A - Understanding the Requirement(s):
(Not-to-Exceed 10-pages)

Describe your firm's ability to provide independent audits in support of the FCC OIG's oversight program of the USF Low Income Support Mechanism. Explain your proposed approach for confirming that your technical staff has an accurate understanding of the emerging requirement. **Offeror must demonstrate its ability to perform at least 10 audits within a 60 day period with all deliverables to be provided to FCC OIG by 4pm July 30, 2008.**

Sub-factor 1B – Audit Experience
(Not-to-Exceed 5-pages; excluding resumes)

Describe your firm's experience, knowledge of audit work performed of similar size, scope, and complexity in accordance with the Statement of Objectives (SOO). Fully explain your ability to perform GAS audits and its approach to providing a consistent, quality work to accomplish the FCC OIG oversight program mission.

Offerors shall provide a **minimum of three/maximum of five personnel resumes** of "highly qualified" employees expected to perform Audits as "Key Personnel" Key Personnel is defined as those individual with the appropriate Qualification, education, and certification to audit and certify the audit reports. The resumes shall describe the professional qualifications and experience with respect to:

- Position and years in the profession;
- Experience relevant to the Statement of Objectives (SOO);
- education; and,
- Professional accomplishments.

Sub-factor 1C - Project Management Plan (PMP)
(Not-to-Exceed 5-pages)

Provide a proposed management plan that describes how you will staff and manage the work. Provide a staffing plan that demonstrates your ability to provide qualified personnel, the depth of your staff, and your approach to reassignment of personnel and, if needed, plans for recruitment.

Your proposal should address how you intend to meet the performance monitoring requirements and the performance objectives. Describe the Quality Assurance and/or Independent verification and validation processes to be used for the selection of subcontractors (if applicable). Describe how your project management plan will address the prioritization of work, maintenance of key technical documentation, adjustments of resources to meet new requirements and/or operational needs, and mitigation of identified risks. Describe your approach to ensuring a high level of customer satisfaction including the Contracting Officer's Technical Representative (COTRs), Technical Point of Contacts (TPOCs) and end users of the supported systems.

Factor 2 – Past Performance

Using the Past Performance Contact Information Sheet, list up to three (3) comparable efforts performed during the last three years. Offerors must demonstrate 3 years of effective audit support to the Federal Government that resulted in acceptable audit. The Government may also consider information obtained through other sources. Past performance information will be utilized to determine the quality of the contractor's past performance.

Factor 3 – Price

The price quotes will be evaluated separately. The price quote must be a Labor Hour for a specified level of effort. Proposed quotes shall include the fully loaded hourly rates of all applicable labor categories. The labor categories shall accompany a (brief narrative) description of the skills and experience per category. Your price quote shall be based on your current GSA Schedule contract. **Offerors are highly encouraged to discount their labor rates.**

Quotation Cover Page

Company Name:

Name, Title, Email Address and Phone Number of Company Representative for GSA Orders:

Payment Terms:

GSA Schedule Number and expiration date:

Please check business size: ( ) Large ( ) Small ( ) Minority ( ) Women-owned

TIN:
DUNS:
NAICS:
Product Service Code (PSC):

Complete Mailing Address:

Other Pertinent Information:

Offer Acceptance Period (no less than 60 days from due date of proposal):

Name, Title, Email Address and Phone Number of Person Authorized to Sign Offer:

Signature:

Date:

Attachment D
Universal Service Fund Audit Support
Statement of Objectives

Appendix A – List of Audits by State

State	Number of Audits
AK	2
AL	2
AR	2
CA	3
CT	1
FL	4
GA	1
HI	1
IA	4
ID	1
IL	3
IN	1
KS	1
KY	2
LA	1
MD	1
ME	1
MI	1
MN	4
MS	2
MT	3
NC	5
ND	1
NE	1
NJ	1
NM	2
NV	2
NY	4
OH	3
OK	5
OR	1
PA	3
RI	1
SD	2
TN	3
TX	8
UT	1
VT	1
WA	2
WI	3
Total	**90**

PAST PERFORMANCE CONTACT INFORMATION SHEET

Offeror Information:

Name of Offeror Providing Services: ______________________________

Address: ______________________________

Past Performance Reference Information:

Name of Company/Organization Receiving Services: ______________________________

Point-of-Contact (i.e., Contracting Officer; COTR; Business Manager; etc)

____

Address: ______________________________

Telephone: ____________ FAX: ____________

Contract Information:

Contract Number: ____________ Dollar Value (Annual): ____________

Performance Period: ____________ Performance Location: ____________

Type of Contract (Check all that apply):

Fixed Price ______ Cost Reimbursement ______ Other (specify) ____________

Negotiated ______ Sealed Bid ______ Competitive ______ Non-Competitive ______

Basis of Payment:

Labor/Equipment Hours ______ Other (specify) ____________

Type & Extent of Subcontracting: ______________________________

Description of Services Provided: ______________________________

____
____
____
____
____
____
____

UNIVERSAL SERVICE FUND AUDIT SUPPORT
Statement of Objectives

1. BACKGROUND

The FCC OIG oversees the audits of the Universal Service Fund (USF) currently being administered by the Universal Service Administrative Company (USAC). The results of these audits will fulfill required tasks under the Improper Payment Information Act (IPIA) of 2002 (see Attachment A) as well as the fiduciary responsibilities of the FCC OIG to prevent fraud, waste, and abuse in federal programs.

The Government Accountability Office (GAO) recommended that the FCC establish meaningful USF performance goals and measures, increase the number of USF program audits, and accurately assess the level of fraud, waste, and abuse occurring in the program.

Allegations have been made that some USF beneficiaries and service providers have fraudulently obtained, wasted, or abused program funding. In recent years, there have been numerous instances of fraud in the USF as indicated by grand jury indictments and felony convictions.

A. Universal Service Program (Universal Service Fund)

The USF was created by the FCC in 1997 to meet these goals:

- Promote the availability of quality services at just, reasonable, and affordable rates.
- Increase access to advanced telecommunications services throughout the nation.
- Advance the availability of such services to all consumers, including those in low income, rural, insular, and high cost areas at rates that are reasonably comparable to those charged in urban areas.

In addition, the Telecommunication Act of 1996 states that all providers of telecommunications services should contribute to federal universal service in some equitable and nondiscriminatory manner; there should be specific, predictable, and sufficient Federal and State mechanisms to preserve and advance universal service; all schools, classrooms, health care providers, and libraries should, generally, have access to advanced telecommunications services; and finally, that the Federal-State Joint Board and the FCC should determine those other principles that, consistent with the 1996 Act, are necessary to protect the public interest.

All telecommunications carriers that provide service internationally and between states contribute into the Universal Service Fund. USAC makes payments from this central fund to support the High Cost, Low Income, Rural Health Care, and Schools and Libraries programs.

Consumers may notice a "Universal Service" line item on their telephone bills. This occurs when a company chooses to recover its contributions directly from its customers through a line-item charge on telecommunications bills. Each company makes a business decision about whether and how to assess customers to recover its USF contributions.

B. USAC

USAC is an independent, not-for-profit corporation designated as the permanent administrator of the federal USF by the FCC pursuant to Part 54 of Title 47 of the Code of Federal Regulations. USAC is not a federal government agency. Under the direction of the FCC, USAC administers the USF including the collection of monies from the telecommunications carriers and the distribution of those funds for its four programs for high cost companies serving rural areas, low-income consumers, rural health care providers, and schools and libraries. As a result, the USF helps provide communities across the country with comparable telecommunications services at a reasonable cost.

USAC is governed by a Board of Directors and the programmatic committees for each support mechanism. Members of the Board of Directors are selected by the Chairman of the FCC, and by regulation are required to represent the diverse interest groups that are interested in and affected by the USF. Directors do not receive compensation for service on the Board.

Estimated 2006 Support:	$7.3 billion
High Cost:	$4.2 billion
Low Income:	$820 million
Rural Health Care:	$45 million (Funding Year 2006)
Schools & Libraries:	$2.25 billion (Funding Year 2006

http://www.usac.org/default.aspx

C. USF Low Income Support Mechanism Overview

On May 7, 1997 the FCC adopted a Universal Service Order implementing the universal service provisions of the Telecommunications Act of 1996. As set forth by Congress, the fundamental principle of "universal service" is that "consumers in all regions of the nation, including those in rural, insular, and high cost areas, should have access to telecommunications and information services, including inter-exchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas." The USF was established by the FCC in compliance with the 1996 Act to provide for affordable access to specified telecommunications services for all communities, regardless of location or economic strata.

Low Income Support is estimated at approximately $820 million in 2006. For detailed information concerning the Support Mechanisms, please refer to 47 C.F.R. Part 54, the FCC orders implementing various aspects of the Support Mechanisms, and USAC's website, www.USAC.org.

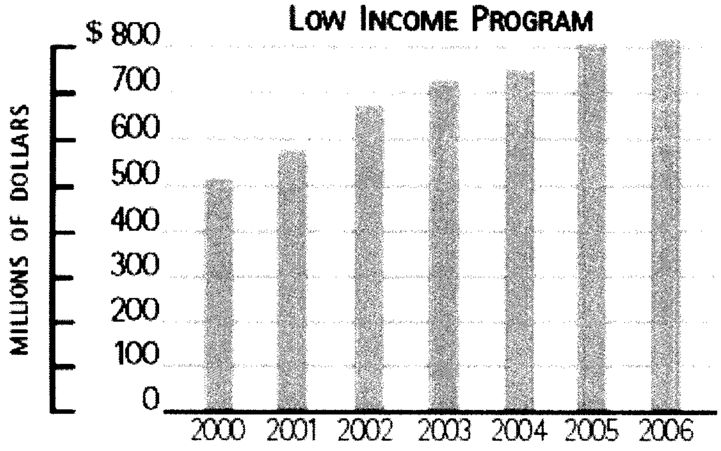

Chart represents unaudited disbursements by Calendar Year, as of December 31, 2006

The Low Income Support Mechanism provides support to eligible low-income consumers for establishing and maintaining telephone service by discounting services provided by local telephone companies that have been designated as Eligible Telecommunications Carriers (ETCs) by a state commission or the FCC in accordance with Subpart F of the FCC's Part 36 rules and Subpart D of its Part 54 rules. The FCC's rules governing the Low Income Support Mechanism are located at 47 C.F.R. §§ 54.400-417. All ETCs are required to advertise the availability of Low Income support. This support does not flow to consumers directly; instead, individuals receive discounts on their monthly local telephone bills. Carriers are reimbursed for revenue they forgo providing these discounts by submitting FCC Form 497 and receiving money from the USF.

Consumer eligibility for Low Income support varies depending on the state in which the consumer resides. States that supplement the federal support with state funds may establish their own eligibility criteria, which must be based on income or factors directly related to income. If the state does not provide supplemental support, the eligibility criteria established by the FCC apply (i.e., participation in Medicaid, food stamps, Supplemental Security Income, federal public housing assistance, the Low Income Home Energy Assistance Program, or income within 135 percent of the federal poverty guidelines).

Consumers need only fulfill one eligibility component to be deemed eligible for Low Income support. Individuals must apply for Low Income support through their local telephone companies.

Individuals residing on reservations or tribal lands of federally recognized Indian tribes may also qualify for supplemental (enhanced) Low Income support if they participate in any of these additional programs: Bureau of Indian Affairs general assistance, Temporary Assistance for Needy Families, Head Start (if income eligible), or free meals under the National School Lunch Program provide eligibility for Low Income Support Mechanism benefits.

There are three components to the Low Income Support Mechanism: Lifeline, Link Up, and Toll Limitation Service. Following is a brief description of each component:

Lifeline

Lifeline reimburses telephone companies for discounting consumers' monthly local phone bills. Lifeline support enables low-income consumers to save at least $5.25 per month and up to $10.00 per month on their telephone bills. A consumer may also qualify for an additional $3.50 per month in state support if the consumer resides in a state that supplements the federal support with state support.

The total amount of discount is calculated on a tier system established in the FCC's rules. Tier One support equals the tariffed rate in effect for the primary residential End User Common Line Charge of the Incumbent Local Exchange Carrier (ILEC) servicing the area in which the qualifying low-income consumer receives service. Currently, the maximum amount of Tier One support ranges from $3.50 to $6.50. Tier Two is an additional $1.75 in federal support that is currently available to all ETCs because each state has certified that this federal support will be used to reduce intrastate rates. Tier Three support is available if the state provides support to supplement the federal Lifeline support. Tier Three support is a 50 percent match of the state support, up to a maximum of $1.75 per month.

A fourth Lifeline tier provides additional support to low-income consumers living on federally recognized tribal lands. Eligible low-income consumers who reside on tribal lands can receive up to an additional $25.00 discount in Tier Four support. Carriers serving low-income consumers on tribal lands, therefore, can receive between $35.00 and $38.50 per subscriber, per month in Lifeline support, depending on various factors such as the availability of state support. All qualifying low-income consumers living on tribal lands, however, are required to pay a minimum monthly Lifeline rate of $1.00.

Link Up

Link Up support reimburses ETCs for providing discounted connection charges to eligible low-income consumers. Consumers qualifying for Link Up support are eligible to save up to 50 percent on non-recurring installation fees (not to exceed $30). Link Up support is only available for a single telecommunications connection at a customer's principle place of residence.

In addition, qualifying low-income consumers living on federally-recognized tribal lands can save an additional $70 under the enhanced federal Link Up program. This enhanced support will cover 100 percent of the charges between $60 and $130 for commencing service at the subscriber's principal place of residence. These charges include any fees that the carrier customarily assesses to connect subscribers to the network including facilities-based charges associated with line extension or the construction of facilities needed to initiate service.

Toll Limitation Service
Toll Limitation Service support compensates ETCs for offering no-cost toll limitation service to low-income consumers. ETCs are required to provide at least one type of toll limitation service, either toll blocking or toll control. ETCs that serve customers who elect toll limitation service may receive support for the ETC's incremental cost of providing the service.

D. FCC OIG's Oversight of the USF Low Income Program

The objectives of the FCC OIG's oversight program are to support the effective and efficient implementation of the USF program and to help ensure that entities receiving support are in compliance with program rules and regulations. The OIG anticipates that 90-150 Low Income program audits will be necessary to complete the oversight program for 2007-2008. These audits are designed to achieve the following objectives:

- Provide an opinion as to whether the beneficiaries are in compliance with the Commission's rules and regulations governing the USF program, set forth in 47 C.F.R. Part 54, relevant Commission orders, and USAC implementing procedures (collectively, "the Rules"),
- Detect waste, fraud, and abuse by beneficiaries of the Support Mechanisms,
- Deter waste, fraud, and abuse by beneficiaries of the Support Mechanisms
- Identify areas for improvement in the administration of the Support Mechanisms
- Identify areas for improvement in the compliance of beneficiaries with applicable law and in the administration of the Support Mechanisms
- Identify improper payments made from the Universal Service Fund related to the selected beneficiaries for the fiscal year under audit
- Statistically infer from the amount of improper payments determined as a result of the sample of Low Income program audits conducted to the entire amount of Low Income funds disbursed.

2. <u>OBJECTIVES</u>

The purpose of this solicitation is to invite the submission of offers from independent public accounting firms to conduct attestation audits of the USF Low Income Program. The Contractor will provide a technical response demonstrating technical ability to provide independent audits in support of the FCC OIG's oversight program of the USF Low Income Support Mechanism, designated as Round 2 Audits

Upon award to multiple vendors FCC OIG and USAC will provide specialized training as needed to support the objectives. For purposes of preparing the proposal, respondents should assume that the training will extend over one to two days. Contractor(s) is required to provide similar training to all team members who do not attend the FCC OIG-sponsored training session.

Each audit Contractor must demonstrate the experience, knowledge and continuing professional education in performing GAS audits and its approach to providing a consistent, quality work product to accomplishing the audit mission.

The audit firm will ensure that no conflicts of interest exist with respect to itself (and its employees and agents) and the audited entities and will provide a copy of its internal search for conflicts procedures and document to FCC OIG.

The Contractor shall immediately notify the FCC OIG of any suspected fraudulent activity or non-compliance with applicable Commission rules or orders disclosed during the performance of any task order established under this contract. Notice shall be given orally and in writing, to: FCC OIG, David Hunt, Assistant Inspector General - Investigations, 202-418-1522, David.Hunt@fcc.gov; and (iii) FCC OIG, William Garay, 202-418-7899, William.Garay@fcc.gov and/or by email at USF.Fraud@fcc.gov.

Investigative support, which includes, but is not limited to, audit, telecommunications expertise and computer forensic support, may be required as a result of any alleged improprieties uncovered in the audit process of Low Income program beneficiaries. The OIG has a close working relationship with the Federal Bureau of Investigation and the Department of Justice to investigate any potential criminal and civil improprieties related to the USF and the Support Mechanisms. To the extent any investigative support to investigations becomes necessary under this contract the relevant level of investigative support will be dealt with on a case-by-case basis, and will be subject to an individual task order with its own scope and estimated cost, which constitute a separate task order under the contract agreed upon between the parties to this contract.

In conducting the audits and matters related to the audits, Contractors and their employees are expected to comply with all ethical standards applicable to United States Government employees (as set forth in 5 C.F.R. § 2635). During the performance of the engagement, Contractor(s) (as well as its/their agents and employees) are expected to meet and communicate frequently with the FCC OIG to discuss project status. Such meetings are expected to be held at the discretion of the FCC OIG and at least on a bi-weekly basis, at a minimum, unless Contractor(s) are notified otherwise by the FCC OIG.

The time required to audit each low income beneficiary may vary significantly depending on the scope of the low income beneficiaries' participation in the program. The Contractor shall provide one (1) project manager who will work in the OIG with the OIG program manager for the purpose of providing real time project status and for coordinating activities between the OIG and the Contractor.

The FCC OIG will develop and maintain a web-based database that will house the audit results. The Contractor is responsible for populating the database for reporting project status and for communicating progress, issues or concerns between the auditee, audit firm and the FCC OIG. The Contractor will populate the database with draft and final audit reports, questions, project status and for reporting suspected fraud, waste or abuse.

The audit firm will take a systematic approach to examining systems and internal controls and effective procedures, including consideration of risk and materiality, to determine the extent of testing and review, must be performed during each review, in accordance with the audit program established for each assignment.

The Contractor is accountable for completing assigned audits, and providing performance input to the FCC OIG. The Contractor will develop or assist with the development of guides to identify audit objectives, scope of the audit; the audit firm capability to perform audits, audit functions, audit report formats, audit data collection methodologies; audit reports and analysis of problem areas.

Auditors will identify funds to be recovered for each beneficiary as applicable funds to be recovered will be fully supportable and documented in the audit workpapers.

All work shall be in accordance with audit standards established by the American Institute of Certified Public Accountants and Comptroller General of the United States, *Government Auditing Standards (2007 Revision).*

The FCC OIG has developed a statistically relevant sample size and identified entities to be audited in Low Income program. For each entity, the Contractor will develop its own sampling plan for testing.

The Contractor is to insure that field and office personnel are adequately trained and supervised to successfully and efficiently attain the objectives of the audit program.

The Contractor will allow a maximum of 2 weeks for beneficiaries to gather required documentation after beginning field work. The Contractor will not reconstruct or assist in reconstructing auditee records.

The FCC OIG will establish IPIA specific data elements to be collected by the Contractor for IPIA compliance reporting. The FCC OIG will statistically analyze IPIA-specific data to determine program-wide error rates. Auditors will populate the FCC OIG database as soon as the results are obtained.

The Contractors will input the following types of data into the FCC OIG's web-based database for each of the audits:

- Auditee contact data
- Erroneous payments to be recovered
- For each attestation, indicate whether entity is compliant or non-compliant whether material or immaterial
- Choose from a list of causality codes for non compliance based on the Contractor's assessment of the cause(s) of non-compliance of a particular assertion
- Attestation audit reports (draft and final including auditee comments)

The bidder shall submit a technical proposal to specifically address their technical capability to perform all of the following objectives:

Task Order 1 (Delivered no later than July 31, 2008)

1. IPIA. For each entity audited, the Contractor will determine the amount of erroneous Low Income program payments made to the auditee.

Task Order 2 (Delivered no later than January 31, 2009)

2. Compliance. For each entity audited, the Contractor will determine whether the auditee complied with certain attestations of the program and the causes for any non compliance with the attestations.

3. Attestation Audit Reports. For each entity audited, the Contractor will prepare a draft and final attestation audit report including the audit firm's professional opinion, whether unqualified, qualified or adverse, and based on a consideration of the auditee's comments.

4. Capping Report. A summary or capping report of all violations encountered during the audit process shall be submitted at the conclusion of the engagement. The Capping Report will include an After Action Report that contains elements for each major milestone: Good Points and Points that need to be improved in the IPIA program, Audit Program and Project Management.

Copies of all work papers shall be made available to the FCC OIG upon request in a form and on media specified by the FCC OIG, and include at a minimum (but without limitation):

- Risk assessments.
- Audit program detailing the audit procedures (internal controls and compliance testing) to be performed.
- A risk assessment that details the rules, risks and planned test procedures that are linked to the audit program steps.
- Documentation of the working paper elements (e.g., source of information, scope of the step performed, purpose of the work paper, and the results).
- Findings with clear elements of condition, cause, criteria, effect, and recommendations.
- Summary documentation on findings including internal controls and compliance and overall audit summary.
- All draft and final reports (including Capping Reports) shall be devoid of grammatical and spelling errors and shall also be devoid of errors of fact, substance, and logic for payment to be made.
- An audit program using the attestation compliance standards shall be submitted to the FCC OIG to determine whether all risks associated with the program are addressed.

- For each entity audited, attestation statements as to whether each entity audited has been in compliance with FCC's rules and regulations that are contained in, or referenced by, 47 CFR Part 54 and the FCC's interpretations of those rules and regulations.

- The written (hard copy and electronic) contract deliverables will be provided to the FCC OIG. The FCC will provide the final review and approval of written contract deliverables. Each deliverable shall be submitted in hard copy and in an electronic format compatible with Microsoft Office.

The bidder's proposal will contain the following:

Item 1 - Technical proposal addressing the bidder's ability to effectively and efficiently provide audit services described in the above objectives.

Item 2 - Pricing proposal for the cost of services by Task Order and milestone for each audit.

Item 3 - Past Performance. Bidder will provide previous or ongoing audit service experience as described in the objectives. The bidder will provide the contact information for at least three references related to such services.

Item 4 – Universal Service Fund (USF) Experience. The bidder will provide in detail any previous or ongoing experience performing audit services for USAC or the USF.

3. SCHEDULE

Task Order I		
Milestone 1		
In-briefing	Mon 5/19/08	Mon 5/19/08
Training	Tue 5/20/08	Thu 5/22/08
IPIA Frame Work	Tue 5/20/08	Thu 5/22/08
Audit Frame Work	Tue 5/20/08	Wed 5/28/08
Milestone 2		
Start IPIA	Fri 5/23/08	Thu 6/12/08
Fieldwork	Fri 6/13/08	Thu 7/03/08
Information Gathering	Fri 7/04/08	Thu 7/24/08
IPIA Reporting	Fri 7/25/08	Thu 7/31/08
Task Order II		
Milestone 3		
Audit Work	Fri 8/01/08	Thu 10/23/08
Draft Report	Fri 10/24/08	Thu 12/04/08
Quality Control Process	Fri 10/24/08	Thu 12/04/08

Milestone 4

Final Report	Fri 12/05/08	Wed 12/31/08
Final Quality Control	Thu 1/01/08	Wed 2/11/09

Milestone 5

Audit accepted by the FCC Audit Board

4. EVALUATION

The FCC will award a contract resulting from this solicitation to the responsible bidder whose proposal is most advantageous to the government, with price and other evaluation factors considered. The following factors shall be used to evaluate proposals:

EVALUATION FACTOR	RELATIVE WEIGHT
TECHNICAL PROPOSAL	30%
PRICE PROPOSAL	40%
PAST PERFORMANCE	20%
UNIVERSAL SERVICE FUND EXPERIENCE	10%

5. GUIDES AND REFERENCES

FCC OIG Policies, Procedures, and Quality Control Procedures.
Telecommunications Provider Locator, FCC, Industry Analysis & Technology Division, Wireline Competition Bureau, March 2006.
Government Auditing Standards, July 2007 Revision, issued by the Comptroller General of the United States.

6. DELIVERABLES

The Contractor shall meet and/or communicate frequently (at a minimum bi-monthly) with the Contracting Officer's Technical Representative (COTR) and Technical Points of Contact (TPOC) to discuss project status. The Contractor shall meet with other FCC OIG personnel, the Assistant Inspector General – USP, and the Inspector General, as required to facilitate completion of the audit services. The Contractor shall send the TPOC and COTR a monthly report summarizing project status, including expenditures to date, percentage of completion and project milestones completed to date. The report shall contact all contract identification, initial contract value, and remaining value.

The Contractor's representative is expected to attend bi-monthly status meetings. The Contractor shall prepare a meeting agenda and provide a detailing project progress for each item in the task order that, at a minimum, shall include:

- Costs incurred by Contractor by billable milestone
- Estimated hours and cost by labor category remaining to complete the services
- Status of work performed to date
- Narrative on potential findings and factors impacting contract performance/completion
- Recommendations on how to proceed
- Invoice reconciliation
- Other direct cost summary (travel expenses)

In consultation with the COTR and other FCC OIG staff, the Contractor shall provide an overall plan for project completion and also develop a detailed work plan describing the specific steps to be taken to accomplish the objectives described in this Statement of Objectives. The work plan will include a detailed project schedule showing the start and end dates of activities and milestones with corresponding due dates for all deliverables. The plan must also identify those responsible for accomplishing each scheduled milestone. These plans must be acceptable to the COTR.

The Contractor shall provide the following deliverables:

Task Order 1

Milestone 1

- Attend In-briefing
- Training (TBD)
- IPIA Frame Work
- Audit Frame Work

Milestone 2

- IPIA start
- Fieldwork
- Information Gathering
- IPIA Data Reported
- Briefing to the OIG on results of the work.
- Agendas and meeting minutes used for entrance and exit conferences. The OIG representative shall be invited to all meetings.

Task Order 2

Milestone 3

- Audit Work
- Draft Audit Report
- Draft Audit Report Quality Control Accepted

Milestone 4

- Final Audit Report Complete
- Final Audit Report Passed Quality Control Accepted
- Work program and copies of all work papers.
- Briefing to the OIG on results of the work.
- Agendas and meeting minutes used for entrance and exit conferences. The OIG representative shall be invited to all meetings.
- Upon completion, the Contractor shall provider a written capping report on the overall results of the work.
- The written reports shall include results of the specific tasks outlined in the statement of work. The written report shall detail the specific findings and recommendations. The written report shall be delivered to the OIG no later than one month following completion of work.
- The Contractor is responsible for preparing, reviewing, and indexing work papers supporting the required deliverables.

Milestone 5
All audit reports accepted by the FCC Audit Board

In addition to any specific deliverables identified during the course of performing the audit, the Contractor shall provide the following services/deliverables, which shall be included as requirements in the contract:

The Contractor shall provide deliverables to the OIG COTR. The OIG will review each deliverable and provide comments to the Contractor within ten (10) workdays unless otherwise negotiated. The Contractor shall incorporate these comments and return the subject deliverables to the OIG with ten (10) workdays of receipt.

3. PERIOD OF PERFORMANCE

The period of performance shall begin immediately upon award of the contract through 02/11/09.

4. CONTRACTING OFFICERS TECHNICAL REPRESENTATIVE/TECHNICAL POINT OF CONTACT

To Be Determined

The COTR is responsible for the overall technical performance of work, monitoring of the day-to-day progress of the work and providing a liaison to the other support persons in the FCC. In no event, however, shall any understanding, agreement, modification, change order or other matter deviating from the terms and conditions of this Task Order be effective or binding upon the FCC unless authorized by a modification document executed by the Contracting Officer prior to completion of the Task Order.

The Technical Points of Contact (TPOC), considered the subject matter expert for the project, is:

To Be Determined

The Contracting Officer shall be informed as soon as possible of any actions or inactions by the Contractor or the FCC which may affect the required delivery, completion times, or price stated in this Task Order, so that the Task Order may be modified if necessary. The COTR is not authorized to direct any action that results in a change of scope, price, terms, or conditions of this Task Order.

5. OTHER DIRECT COSTS

Contractors must be committed to the policy of assuring the reasonableness of the level of expenses/Other Direct Costs ("ODCs") on behalf of the government. Contractor agrees to charge ODCs at cost or at no more than its best customer rates as provided below. Alternatively, Contractor may bill the government *per diem* rates as set forth by the United States General

Services Administration. ODCs will be paid (using the guidelines of permitted costs in the FAR at 48 C.F.R. § 52.232-7 or other applicable provisions under § 52.232) and as approved in writing by the COTR. The FCC OIG may audit billed ODCs for up to six years and is entitled to recover ODCs not meeting requirements set forth in the contract or applicable task order. Back-up documentation verifying charges for all ODCs must accompany any invoice to support payment. Such ODCs may include, but are not limited to:

(a) TRAVEL EXPENSES — travel expenses will be charged in accordance with the United States Federal Travel Regulations. *Per diems* for travel locations involving contract performance throughout the United States and Territories may be found at www.gsa.gov. Contractor will bill only coach airfare without mark-up and with any applicable volume or other discount.

(b) TELEPHONE — there shall be no charge for local telephone calls. Long-distance calls shall be billed without mark-up.

(c) DUPLICATING — lower of best customer rate or $.10 per page. Upon prior approval of the COTR Color copies and special copying (CDs, videotapes, velo binding oversized copies, etc.) are charged based upon actual cost.

(d) FACSIMILE TRANSMISSIONS — no charge for inbound facsimiles and inbound telecopy transmissions or any related local telephone charges. Outbound facsimile and telecopy charges are $.75 per page, plus the related actual long distance charges.

(e) MESSENGER SERVICES/OVERNIGHT COURIER — Upon approval of the COTR will be billed at the rate charged to Contractor, without mark-up and with any applicable volume or other discounts. In-house messenger will be charged at standard rate, not to exceed $10 without the prior written approval of the COTR.

(f) OVERTIME EXPENSES — Not authorized.

(g) COMPUTERIZED RESEARCH SERVICES — Upon approval of the COTR will be billed at the actual third-party costs to Contractor without mark-up and with any applicable volume or other discounts.

(h) DOCUMENT PROCUREMENT — procurement of outside documents by library personnel will be billed at $10 per document. Any document procurement charges in excess of $100.00 (individually or in aggregate) require the prior written approval of the COTR.

(i) SUPPLIES — there will be no charge for standard office supplies. Special items (minute book, binding etc.) will be billed at actual cost. Any special item costs in excess of $100.00 (individually or in aggregate) require the prior written approval of the COTR.

(j) OTHER EXPENSES — Any other expenses anticipated by Contractor to constitute an ODC under the contract shall be individually listed, described, and priced at its best customer rate and only procured upon approval of the COTR. Documentation as to the reasonableness of the proposed expense must be provided. Any ODCs other than those specifically listed in paragraphs (a)-(i) above, will not be allowed unless and until approved in writing by the COTR. Upon approval, such expenses will be paid as permitted with guidance provided by the FAR.

6. QUALITY ASSURANCE AND SURVEILLANCE PROGRAM

Definition. "Services," as used in this SOO, includes services performed, workmanship, and material furnished or utilized in the performance of services.

Contractor shall provide and maintain an inspection system acceptable to the COTR covering the services under this contract. Complete records of all quality assurance work performed by Contractor shall be maintained and made available to the TPOC and the COTR during contract performance and for as long afterwards as the contract requires.

The TPOC and COTR have the right to inspect and test all services called for by the contract, to the extent practicable at all times and places during the term of the contract. The COTR may employ an independent third-party to test or otherwise evaluate all services called for by the contract. The COTR or TPOC may also inspect the office or offices of Contractor or any subcontractor engaged in contract performance.

If the COTR or TOPC performs inspections or tests on the premises of Contractor or a subcontractor, Contractor shall furnish, and shall require subcontractors to furnish, at no increase in contract price, all reasonable facilities and assistance for the safe and convenient performance of these duties.

If any of the services do not conform to contract requirements, the COTR or TPOC may require Contractor to perform the services again in conformity with contract requirements, at no increase in not-to-exceed pricing provided in the r task order. When the defects in services cannot be corrected by re-performance, the COTR or TPOC may:

(1) require Contractor to take necessary action to ensure that future performance conforms to contract requirements; and
(2) reduce the contract price to reflect the reduced value of the services performed.

If Contractor fails to proceed with reasonable promptness to perform required replacement or correction, and if the replacement or correction can be performed within the contract the FCC OIG may:

(1) by contract or otherwise, perform the replacement or correction, charge to Contractor any increased cost, or deduct such increased cost from any amounts paid or due under this contract; or
(2) terminate this contract for default.
(3) Failure to agree to the amount of increased cost to be charged to Contractor shall be a dispute.

The COTR may at any time require Contractor to remedy by correction or replacement, without cost to the government, any failure by Contractor to comply with the requirements of this contract, if the failure is due to:

(1) fraud, lack of good faith, or willful misconduct on the part of Contractor's managerial personnel; or
(2) the conduct of one or more of Contractor's employees selected or retained by Contractor after any of Contractor's managerial personnel has reasonable grounds to believe that the employee is habitually careless or unqualified.

This clause applies in the same manner and to the same extent to services corrected or replacement materials or services as to materials and services originally delivered under this contract. Unless otherwise specified in the contract, the COTR shall accept or reject services and materials at the place of delivery as promptly as practicable after delivery, and they shall be presumed accepted 60 days after the date of delivery, unless accepted earlier.

7. LOCATION OF WORK TO BE PERFORMED

It is expected that the Contractor's work will be performed at the FCC's and USAC's facilities in Washington, D.C., and the offices of selected auditees. Administrative work is expected to be performed at a contractor-provided facility. There will be extensive travel associated with the work.

8. KEY CONTRACTOR PERSONNEL

The Contractor shall identify in writing key personnel for purpose of this task order. They may substitute under this Task Order without the Contracting Officer's approval. Additionally, proposed substitutes' education and experience shall reflect that of the original key personnel designated for this Contract.

Contractor key personnel must be subjected to the clearance procedures of the FCC Security Office.

Certain skilled experienced professional and/or technical personnel are essential for successful performance of the work required under this contract. The COTR, if necessary, will identify which positions are designated for Key Personnel in the contract. Contractor agrees that such Key Personnel shall not be removed from the contract effort, replaced or added to the contract without a compelling reason (e.g. death of present personnel, personnel leaving company employ, unavailability due to excessive or unanticipated demand made by the COTR under any order), and without compliance with the balance of this clause. The COTR will not approve substitutions for the sole convenience of Contractor.

If any changes to the list of authorized Key Personnel (substitutions or additions) become necessary, Contractor shall immediately notify the contact person designated by the Contract Officer in the contract in writing, accompanied by the resume of the proposed replacement personnel who shall be of at least substantially equal ability and qualifications as the individuals currently approved for that category.

No Key Personnel substitutions or replacements shall be approved within the first ninety days of the issuance of this contract.

All requests for approval of changes hereunder must be in writing and provide a detailed explanation of circumstances necessitating the proposed change to the COTR. Request for changes should be made whenever the need is identified, and not at the time of quote submittal. Beside the resume, the request must also provide for each individual:

- Comparison of skills and qualifications to those set forth in the accepted resume proposed for substitution;
- A signed employee confidentiality agreement, and
- Any other information requested by an authorized USAC representative to reach a decision.
- The COTR will evaluate such requests and promptly notify Contractor of his/her approval or disapproval in writing.

If Contractor uses any personnel under Key Personnel categories in performing the effort who are not identified as key personnel, Contractor shall bear the total risk if any individual is subsequently disapproved by the COTR.

9. PAYMENT SCHEDULE

This will be a Firm Fixed Price contract with other direct cost (travel expenses). Travel expenses may be estimated by multiplying the total audit services cost by 20%. Invoices will be submitted monthly and paid timely in accordance with FCC billing processes. The Contractor shall bill for only 80% of the work performed. The Contractor can bill the government the remaining balance upon completion of the contract when all work performed is acceptable to the government. The Contractor can bill for all travel cost incurred each month. The Contractor will submit a travel log with a detailed explanation of all travel cost. The COTR and Contractor will develop a method for submitting travel invoices and all required receipts.

Payment Milestones:

Milestone 1: 15% of total contract value (Less 20% retention)
Completion and acceptance of the following milestones:
In-briefing
Training
IPA Frame Work
Audit Frame Work

Milestone 2: 35% of total contract value (Less 20% retention)
Start IPIA
Fieldwork
Information Gathering
IPIA Reporting

Milestone 3: 30% of total contract value (Less 20% retention)
Audit Work Complete
Draft Report Complete
Audit Report Passed Quality Control Process

Milestone 4: 20% of total contract value (Less 20% retention)
Final Audit Report Complete
Final Audit Report Passed Quality Control Process

Milestone 5: Retention
Audit accepted by the FCC Audit Board

The Government shall pay the Contractor for the services performed (less 20% retention) by the Contractor, as set forth in the contract, at the rates prescribed, upon the submission by the Contractor of proper invoices to the COTR. The Government shall also pay the Contractor:

- A per diem rate in lieu of subsistence for each day the Contractor is in a travel status away from home or regular place of employment in accordance with Federal Travel Regulations (41 CFR 101-7) as authorized in appropriate Travel Orders; and

- Any other transportation expenses if provided for in the Schedule.

11. LIST OF ATTACHMENTS

A. Improper Payment Information Act of 2002
B. Announcement Letter Template
    Appendix A - List of Documents to be provided to the CPA Firm
    Appendix B - Attestations Letter Template
C. Sample Low Income Audit Program

Attachment A

Improper Payments Information Act of 2002

116 STAT. 2350 PUBLIC LAW 107–300—NOV. 26, 2002
Public Law 107–300
107th Congress

An Act

To provide for estimates and reports of improper payments by Federal agencies.
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Improper Payments Information Act of 2002''.

SEC. 2. ESTIMATES OF IMPROPER PAYMENTS AND REPORTS ON ACTIONS TO REDUCE THEM.

(a) IDENTIFICATION OF SUSCEPTIBLE PROGRAMS AND ACTIVITIES.—

The head of each agency shall, in accordance with guidance prescribed by the Director of the Office of Management and Budget, annually review all programs and activities that it administers and identify all such programs and activities that may be susceptible to significant improper payments.

(b) ESTIMATION OF IMPROPER PAYMENT.—With respect to each program and activity identified under subsection (a), the head of the agency concerned shall—

(1) estimate the annual amount of improper payments; And

(2) submit those estimates to Congress before March 31 of the following applicable year, with all agencies using the same method of reporting, as determined by the Director of the Office of Management and Budget.

(c) REPORTS ON ACTIONS TO REDUCE IMPROPER PAYMENTS.—
With respect to any program or activity of an agency with estimated improper payments under subsection (b) that exceed $10,000,000, the head of the agency shall provide with the estimate under subsection (b) a report on what actions the agency is taking to reduce the improper payments, including—

(1) a discussion of the causes of the improper payments identified, actions taken to correct those causes, and results of the actions taken to address those causes;

(2) a statement of whether the agency has the information systems and other infrastructure it needs in order to reduce improper payments to minimal cost-effective levels;

(3) if the agency does not have such systems and infrastructure, a description of the resources the agency has requested in its budget submission to obtain the necessary information systems and infrastructure; and

(4) a description of the steps the agency has taken to ensure that agency managers (including the agency head) are held accountable for reducing improper payments.

Deadline.
31 USC 3321note.
31 USC 3321 note.
Improper Payments Information Act of 2002.
Nov. 26, 2002
[H.R. 4878]

PUBLIC LAW 107–300—NOV. 26, 2002 116 STAT. 2351
LEGISLATIVE HISTORY—H.R. 4878:
SENATE REPORTS: No. 107–333 (Comm. on Governmental Affairs).
CONGRESSIONAL RECORD, Vol. 148 (2002):
July 9, considered and passed House.
Oct. 17, considered and passed Senate, amended.
Nov. 12, House concurred in Senate amendment.

(d) DEFINITIONS.—For the purposes of this section:

(1) AGENCY.—The term ''agency'' means an executive agency, as that term is defined in section 102 of title 31, United States Code.

(2) IMPROPER PAYMENT.—The term ''improper payment''—

(A) means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(B) includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

(3) PAYMENT.—The term ''payment'' means any payment (including a commitment for future payment, such as a loan guarantee) that is—

(A) made by a Federal agency, a Federal contractor, or a governmental or other organization administering a Federal program or activity; and

(B) derived from Federal funds or other Federal resources or that will be reimbursed from Federal funds or other Federal resources.

(e) APPLICATION.—This section—

(1) applies with respect to the administration of programs,
and improper payments under programs, in fiscal years after fiscal year 2002; and

(2) requires the inclusion of estimates under subsection (b)(2) only in annual budget submissions for fiscal years after fiscal year 2003.

(f) GUIDANCE BY THE OFFICE OF MANAGEMENT AND BUDGET.—
Not later than 6 months after the date of enactment of this Act, the Director of the Office of Management and Budget shall prescribe guidance to implement the requirements of this section.
Approved November 26, 2002. Deadline.

Reporting Details

The *Improper Payments Information Act of 2002 (IPIA)* and the Office of Management and Budget's (OMB) implementing guidance, Memoranda M-03-13, and OMB Circular A-136, require agencies to annually review all programs and activities to identify those susceptible to significant improper payments. The guidance defines significant improper payments as those in any particular program that exceed both 2.5 percent of program payments and $10 million annually. For each program identified as susceptible, agencies are required to report the annual amount of estimated improper payments, along with steps taken and actions planned to reduce them, to the President and the Congress.

To facilitate agency efforts to meet the reporting requirements of the *IPIA*, OMB announced a new *President's Management Agenda* (*PMA*) program initiative beginning in the first quarter of fiscal year 2005 entitled Eliminating Improper Payments. Previously tracked along with other financial management activities through the Improving Financial Performance initiative, the establishment of a dedicated initiative focused the Department of Education's (Department) improper payments efforts. Under the new initiative, the status and progress of actions to further identify, report on, and reduce improper payments are now tracked and reported to OMB in quarterly *PMA* scorecards.

The Department has divided its improper payment activities into the following segments: Student Financial Assistance Programs, Title I Program, Other Grant Programs, and Recovery Auditing.

Implementation Guidance for the Improper Payments Information Act of 2002, P.L. 107-300

Introduction

A component of the President's Management Agenda is the initiative to reduce erroneous payments. Agencies with programs listed in Section 57 of the OMB Circular A-11 are required to report annually on the extent of the erroneous payments in those programs and the actions they are taking to reduce erroneous payments. The Improper Payments Information Act of 2002 (Act) (Public Law 107-300) has extended the erroneous payment reporting requirements to programs and activities beyond those listed in Circular A-11. This guidance implements the requirements of the Act and supersedes Section 57 of Circular A-11. (See below.)

What is an erroneous or improper payment?

(The term "erroneous payment" and "improper payment" have the same meaning in this document.) An erroneous payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Incorrect amounts are overpayments and under payments (including inappropriate denials of payment or service). An erroneous payment includes any payment that was made to an ineligible recipient or for an ineligible service. Erroneous payments are also duplicate payments, payments for services not received, and payments that do not account for credit for applicable discounts.

The term "payment" means any payment derived from Federal funds or other Federal sources or that will be reimbursed from Federal funds or other Federal resources (including a commitment for future payment, such as a loan guarantee) that is made by a Federal agency, a Federal contractor, or a governmental or other organization administering a Federal program or activity. This includes Federal awards subject to the Single Audit Act Amendments of 1996 (Single Audit Act) which are expended by both recipients and subrecipients as well as Federal grants and subgrants to for-profit and non-U.S. based entities not subject to the Single Audit Act.

What agencies are required to comply with the requirements of the Improper Payments Information Act of 2002 (Public Law No: 107-300)?

The Act defines agency broadly as "a department, agency, or instrumentality in the executive branch of the United States."

How is the term "program and activity" defined? ***(The term "program and activity" is referred to in this document as "program.")***

The Act anticipates that agencies will examine the risk of erroneous payments in all programs and activities they administer, well beyond just those listed in Section 57 of OMB Circular A-11. The term program includes activities or sets of activities recognized as programs by the public, OMB, or Congress, as well as those that entail program management or policy direction. This definition includes, but is not limited to, all grants including competitive grant programs and block/formula grant programs, regulatory activities, research and development activities, direct Federal programs, all procurements including capital assets and service acquisition, and credit programs. It also includes the activities engaged in by the agency in support of its programs. For Federal awards subject to the Single Audit Act or otherwise listed in the Catalog of Federal Domestic Assistance (CFDA), Federal agencies should consider using the groupings in the OMB Circular A-133 Compliance Supplement and the CFDA. However, unless specifically specified in OMB Circular A-11, each Federal agency, after consultation with OMB, is authorized to determine the grouping of programs which most clearly identifies and reports erroneous payments for their agency.

What are agencies required to do?

Agencies are required to review annually all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. This includes payments from Federal awards made by recipients and subrecipients subject to the Single Audit Act Amendments of 1996 as well as Federal grants and subgrants expended by for-profit and non-U.S. based entities not subject to that Act. For all programs and activities where the risk of erroneous payments is significant, agencies shall estimate the annual amount of erroneous payments, and report the estimates to the President and Congress with a progress report on actions to reduce erroneous payments.

Step 1: Review all programs and activities and identify those which are susceptible to significant erroneous payments.

Many agencies already know which programs and activities are at the highest risk of erroneous payments. Agencies shall institute a systematic method of reviewing all programs and identifying those it believes are susceptible to significant erroneous payments. For the purposes of this guidance, significant erroneous payments are defined as annual erroneous payments in the program exceeding both 2.5 % of program payments and $10 million. The agency shall maintain documentation to support this review and the results.
To clarify this step, we provide three examples:

Example 1. Under the analysis in step 1, a program has a potential error rate of 2.25% or $14 million. Under this guidance, an agency need not perform step 2, making a statistically valid estimate of erroneous payments in the program, because the potential error rate does not exceed 2.5%. In addition, the agency need not report an error rate for the program in its annual Performance and Accountability Report. 3 Example 2. Under the analysis in step 1, a program has a potential error rate of 2.75% or $9 million. Under this guidance, an agency need not perform step 2, making a statistically valid estimate of erroneous payments in the program, because the potential amount of erroneous payments in the program does not exceed $10 million. In addition, the agency need not report an error rate for the program in its annual Performance and Accountability Report.
Example 3. Under the analysis in step 1, a program has a potential error rate of 2.75% or $11 million. Under this guidance, an agency must perform step 2, making a statistically valid estimate of erroneous payments in the program, because the potential error rate exceeds 2.5% and the potential amount of erroneous payments exceeds $10 million. The agency must report a statistically valid error rate for the program in its annual Performance and Accountability Report.

Step 2: Statistically Valid Estimate of the annual amount of erroneous payments in programs and activities

For all programs and activities susceptible to significant erroneous payments, agencies shall determine an annual estimated amount of erroneous payments made in those programs and activities. This estimate is a gross total of both over and under payments (i.e., not the net of over and under payments). Agencies should consult with a statistician in drawing their samples and in calculating the necessary sample size. The estimates shall be based on the equivalent of a statistical random sample with a precision requiring a sample of sufficient size to yield an estimate with a 90% confidence interval of plus or minus 2.5% around the estimate of the percentage of erroneous payments. And because the margin of error of a percentage estimate is related to the size of that estimate, the agency may use their initial determination of the *potential* error in step 1 to determine their sample size.[1]

To clarify this step, we provide two examples:

Example 1: Under the analysis in step 1, the program has a potential error rate of

[1] The minimum sample size needed to meet the precision requirements can be approximated by the following formula, which is used in the examples:

$(\,) PPPn025.)1(706.2_2 - \geq$

where n is the required minimum sample size

P is the estimated percentage of erroneous payments

(Note: This sample size formula is derived from *Sampling of Populations: Methods and Applications* (3rd edition); Levy, P. S. & Lemeshow, S. (1999); New York: John Wiley & Sons; at page 74.) 3 % (and at least $10 million). Under this guidance the agency needs to draw a random sample of cases from the program that will yield a statistical estimate of the erroneous payment rate. The 90 % confidence interval around this estimate should be no more than plus or minus 2.5%. Using the initial determination of 3% yields a minimum sample size of approximately 126 cases.

Example 2: Under the analysis in step 1, the program has a potential error rate of 4.5 % (and at least $10 million). The required minimum sample size to achieve a 90 % confidence interval around this estimate of 4.5% of plus or minus 2.5% is approximately 186 cases.

Because of the imprecision of the risk assessment performed in step 1, agencies should ensure that they do not select too small of a sample. Because the size of the error rate is related to its margin of error, agencies should be conservative and use a higher estimated error rate in their sample size calculations to ensure they will meet the precision targets. Furthermore, these guidelines for precision should be taken as the minimum, and agencies are encouraged to increase samples above the minimum to achieve greater precision in their estimates. The agency shall maintain documentation to support the calculation of these estimates. Agencies should consider working with entities subject to A-133 audits to use ongoing audits to assist in the process to estimate an erroneous payment rate.

Step 3: Implement a Plan to reduce erroneous payments

For all programs and activities as determined under Step 2 with erroneous payments exceeding $10 million, agencies shall identify the precise reasons its programs and activities are at risk of erroneous payments and put in place a plan to reduce them. To determine the precise reasons for erroneous payments, agencies may be required to conduct an analysis of erroneous payments that produces an error rate at higher levels of confidence and precision than that prescribed by this guidance.

When compiling its plan to reduce erroneous payments, agencies shall set targets for future erroneous payment levels and a timeline by which the targets will be reached. In addition, agencies must ensure that agency managers (including the agency head) are held accountable for reducing erroneous payments. Agencies shall assess whether they have the information systems and other infrastructure needed to reduce erroneous payments to minimal cost-effective levels and identify any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing erroneous payments.

Step 4: Report estimates of the annual amount of erroneous payments in programs and activities and progress in reducing them

Agencies shall report to the President and Congress an estimate of the annual amount of erroneous payments for all programs and activities as determined under Step 2 with erroneous payments exceeding $10 million. As described in Step 2, the estimates shall be based on the equivalent of a statistical sample with 90% confidence and 5% precision and the reporting shall be the gross amount of both over and under payments. Agencies shall include the following in their reports to the President and Congress:

- The estimate of the annual amount of erroneous payments (gross over and under payments) made in the program and the methodology used to arrive at that estimate.
- A discussion of the causes of the erroneous payments identified, actions taken to correct those causes, and results of the actions taken to address those causes.
- A discussion of the amount of actual erroneous payments the agency expects to recover and how it will go about recovering them.
- A statement of whether the agency has the information systems and other infrastructure it needs in order to reduce erroneous payments to the levels the agency has targeted.
- If the agency does not have such systems and infrastructure, a description of the resources the agency has requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.
- A description of the steps (including time line) the agency has taken and plans to take to ensure that agency managers (including the agency head) are held accountable for reducing and recovering erroneous payments.
- A description of any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing erroneous payments.
- Provided the agency has estimated a baseline erroneous payment rate for the program, a target for the program's future erroneous payment rate that is lower than the agency's most recent estimated error rate.

Where and when should agencies report the information required by the Act?

Agencies shall include the reporting requirements of this guidance in the Management Discussion and Analysis section of their Performance and Accountability Report for fiscal years ending on or after September 30, 2004. The annual estimate of erroneous payments reported in the Performance and Accountability Report can be based on data from a year other than the fiscal year the Performance and Accountability Report covers. Progress under the requirements of Section 57 of OMB Circular A-11 shall be reported in the FY 2003 Performance and Accountability Reports.

What constitutes an erroneous loan or loan guarantee payment?

Direct loans: Under a direct loan program, erroneous payments may include loan disbursements based on incomplete, inaccurate, or fraudulent information. These may also include duplicate

disbursements or other permitted third-party payments, disbursements in the incorrect amount, or loan funds used for purposes other than those allowed by law or program regulations.
Loan guarantee: Under a loan guarantee, an erroneous payment may include disbursements to intermediaries for defaults, delinquencies, interest subsidies, other subsidies or other permitted third-party payments that are based on incomplete, inaccurate, or fraudulent information. Improper payments may also include duplicate disbursements, disbursements in the incorrect amount, or any disbursements that support loans not incompliance with law or program regulations.

When will this policy replace the current Section 57 of OMB Circular A-11?

Agencies and programs currently covered by Section 57 of OMB Circular A-11 (list attached) shall continue to estimate and reduce erroneous payments as they have been pursuant to Section 57 of A-11. Progress under the requirements of Section 57 of OMB Circular A-11 should be reported in the FY 2003 Performance and Accountability Reports. Subsequent reporting of erroneous payment remediation activities should follow this guidance, as it will supersede Section 57 of OMB Circular A-11.

How does this guidance affect recovery auditing activities?

This guidance does not affect recovery auditing activities in agencies. However, agencies may use data gathered as part of their recovery auditing activities in determining an erroneous payment rate for its procurement activities as required by this guidance.

Where can agencies go to find more information about estimating and reducing erroneous payments?

The Erroneous and Improper Payments Working Group, composed of members of the Chief Financial Officers Council and the President's Council on Integrity and Efficiency, reviewed the methods various agencies were using to assess the extent of erroneous payments they make. More information on the Erroneous and Improper Payments Work Group's analysis of agency erroneous payment assessment practices can be found at
http://www.cfoc.gov/documents/EIP%20Posn.Paper%2011-02.doc.

The General Accounting Office surveyed public and private sector organizations and issued a report on the practices they employ to measure and prevent erroneous payments. That report, General Accounting Office Report: Strategies to Manage Improper Payments: Learning from Public and Private Sector Organizations (GAO-02-69G), can be found at www.gao.gov/cgi-bin/getrpt?gao-02-69G.

ATTACHMENT B
Template for Announcement Letter

United States of America
Federal Communications Commission
Office of Inspector General
445 12th Street, S.W.
Washington, D.C. 20554

Date _______

Name of Auditee Company
Address

Dear (Contact Person):

Reference: Study Area Code (ADD)

We have engaged (NAME OF CPA FIRM) to assist the Federal Communications Commission (FCC) Office of Inspector General (OIG) in its examination of recipients of Universal Service Fund (USF) Low Income Program funds administered by the Universal Service Administrative Company (USAC). We plan to conduct a compliance attestation examination of your Low Income Program operations and reimbursements for the 12-month period ended June 30, 2007. The (NAME OF CPA FIRM) will contact you to schedule necessary on-site work at your offices during the period May to July 2008. Typically, on site work will take no longer than one week; however, the efficiency of the examination will depend on the availability of your staff and the condition of the documentation made available prior to and/or during the course of the examination.

A compliance attestation examination requires management of your Company to sign an assertion letter acknowledging its responsibility for compliance with applicable requirements of Federal Communications Commission (FCC) rules at 47 C.F.R §§ 54.101, 54.201 - 54.209, and 54.400 -- 54.417, as well as FCC Orders (Rules and Orders); and make specific assertions relative to your Company's compliance with those Rules and Orders. An example of the assertion letter, which is required to be signed and returned within two weeks of receipt of this notification letter, is attached. In addition, a management representation letter will be required at the end of the examination. The form of the management representation letter will be discussed when the engagement starts.

For your information and use, the examination program will be managed by the following FCC and (CPA FIRM) personnel. Additionally, (CPA FIRM) will have other examiners actually perform the examination work. These individuals will be identified, as we get closer to the site visit.

ATTACHMENT B
Template for Announcement Letter

Name	Organization	Position	Phone Number	Email
William Garay, CPA	FCC OIG	Assistant Inspector General for USF Program	202-418-7899	William.garay@fcc.gov
Randal Skalski, CPA	FCC OIG	Director, USF Program Audits	202-418-0479	Randal.skalski@fcc.gov
	(CPA Firm)			
	(CPA Firm)			
	(CPA Firm)			

The examination will focus on the eligibility of subscribers for Low Income Program support, your Company's review of subscriber eligibility, and the accuracy of the discounts your Company seeks for reimbursement. Attached is a listing of the documents that (CPA FIRM) will need to facilitate our examination.

In addition, for (CPA FIRM) to perform their examination efficiently and successfully, your assistance in providing the following support is appreciated:

- Requested documents (as shown in the attachment), are to be provided by email and arrive at (CPA FIRM) within two weeks of receipt of this letter. Any documents that cannot be emailed should be mailed to the following address:

  CPA FIRM
  Address
  Attn: Name
  Email:

- Office space for approximately 2 examiners to perform their examination (to include Internet connectivity).
- Access to office space for a 10-hour period during the workday.
- Notification of any days the building that (CPA FIRM) will be working in will not be available, due to holidays or other reasons.
- Advice on the dress code for your office.
- Information on the nearest airport or other transportation means for visiting your operations, suggestions for overnight accommodations and any other logistical matters.

Please recognize that (CPA FIRM) has the same authority as the FCC OIG to request and view documents.

ATTACHMENT B
Template for Announcement Letter

A (CPA FIRM) manager (or other designated team member) will contact you directly to discuss whether your company has been selected for a site visit and, if so, the date they plan to be on-site. When they contact you, they will discuss the attached documentation you provided so that any questions/issues can be addressed before the examiners are on-site. (CPA FIRM) will conduct a "kick-off" meeting during the first day on-site to discuss the examination, project objectives, coordination, etc. with your key individuals responsible for the Low Income Program.

At the completion of (CPA FIRM's) examination, (CPA FIRM) will conduct a final closing meeting to discuss the results of the examination and to receive your management representation letter.

The results of (CPA FIRM's) work, as well as your comments received during the final meeting, will be presented in a draft report to the FCC OIG. Upon review and approval of the report by the FCC OIG, the report will be distributed to appropriate parties.

If there are any matters or issues that you would like to make us aware of, or if you have any questions or concerns, please feel free to call Mr. Skalski or Mr. Garay.

Sincerely,

Dr. Kent Nilsson
Inspector General
Federal Communications Commission

2 Appendices:
A. Documents to be provided to CPA FIRM within Two Weeks of Receipt of this Letter
B. Assertion Letter Template

CC: CPA FIRM

APPENDIX A TO ATTACHMENT B

DOCUMENTS DUE TO (NAME OF CPA FIRM) BY TWO WEEKS FROM THE DATE OF RECEIPT OF THE ANNOUNCEMENT LETTER

1. Description of how the number of subscribers reported on the FCC Form 497 is calculated. Include the personnel involved and the name and type of system(s) used for the 12-month period ended June 30, 2007.
2. Description of how subscriber counts were compiled for the 12-month period ended June 30, 2007.
3. An electronic subscriber listing for the Low-Income support recipients for which support was claimed on FCC Form 497 for the 12-month period ended June 30, 2007. The list should include the subscriber name, service or physical address (not billing address), account number, telephone number, subscription start date, disconnect date and discount amount given to each subscriber (categorized by type of support provided). Please identify those lines that were provided on a resale basis to another company. Note: After (CPA FIRM) receives the electronic listing they will contact you for copies of actual bills for a selected sample of subscribers.
4. The monthly dollar amount of Subscriber Line Charge or End User Common Line (SLC/EUCL) credit provided to the Lifeline subscriber and the tariff or other official documentation reflecting the SLC/EUCL rate.
5. The monthly dollar amount of any Lifeline credit provided by the state and the tariff or other official documentation reflecting the state contribution.
6. The monthly dollar amount of any additional Lifeline credits provided by your company (that is not reimbursed by USAC) and official documentation reflecting the credit.
7. The monthly rate of a single telecommunications connection charge for non-Lifeline subscribers and the tariff or other official documentation reflecting the connection charge.
8. The monthly dollar amount charged to non-Lifeline subscribers for Toll Limitation Service (TLS) and the tariff or other official documentation reflecting the TLS charge.
9. Documentation, for example cost studies, reflecting the <u>incremental</u> cost of providing TLS – recurring amount and non-recurring amount.
10. Description, on Company letterhead, of the process used to determine a subscriber's eligibility to participate in the Lifeline program. The description should include the following: a. The records used by your company as evidence of a subscriber's income-based eligibility and how long such records are maintained. b. The records used by your company as evidence of a subscriber's program-based eligibility and how long such records are maintained. c. Use of external agency for referral or administration of Lifeline program. d. Verification process for subscriber's continued income-based

eligibility. e. Verification process for subscriber's continued program-based eligibility. f. When the Lifeline support will be effective (e.g. when the self-certification was submitted, etc). g. Lifeline service termination notification process. h. How the Company is notified when a subscriber is no longer eligible to participate in the Lifeline program.
12. Relevant documentation, i.e. tariff pages, price lists, etc., (effective for the 12-month period ended June 30, 2007.) that describe your Lifeline program (certification / verification process).
13. Description of controls in place to ensure that subscribers are not double-counted on the subscriber listing when they change their phone number, address and/or name.
14. If the Company sold discounted wholesale Lifeline service to an ETC reseller during the 12-month period ended June 30, 2007, please provide: a. List of companies. b. Description of procedures used to ensure that the CETC passed on the discounts received from (Carrier Name) to its eligible subscribers. c. Copies of certifications obtained from the ETC reseller CETC. If none were received, please explain why. d. Copy of any resale agreements, highlighting the rates at which the lines were sold. e. Rates for Lifeline lines resold to the reseller. f. Rates for Lifeline lines sold via Unbundled Network Element–Platform (UNE-P).
15. If the Company sold discounted Lifeline services to a non-ETC reseller during the 12-month period ended June 30, 2007, please provide the list of resellers and describe controls to ensure that they provided Lifeline services to eligible subscribers.
16. If your Company provided services to any federally recognized tribal lands or reservations during the 12-month period ended June 30, 2007, please provide the names of the tribal lands or reservations and provide a copy of relevant documentation listing the eligible reservations within your study area.
17. If your Company is in a state that mandates support, indicate whether your state provides Lifeline credits for your tribal subscribers, and, if so, how much.
18. Evidence that your Company advertised the availability of Lifeline service for the 12-month period ended June 30, 2007.
19. Copies of all audit reports (e.g. financial, internal control, any audits performed by your internal audit department, FCC, state commission, or any other entities) related to Lifeline support for the 12-month period ended June 30, 2007.

APPENDIX B TO ATTACHMENT B
ASSERTIONS LETTER TEMPLATE

Assertions Letter for Study Area Code (ADD)
For the 12-month Period Ended June 30, 2007

Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Section 54 of the Federal Communications Commission's Rules, Regulations and Related Orders

Management of (name of telecommunications carrier) is responsible for ensuring that the carrier is in compliance with applicable requirements of the Federal Communications Commission (FCC) rules at 47 C.F.R. §§ 54.101, 54.201 -- 54.209, and 54.400 -- 54.417 as well as related FCC Orders.

Management has performed an evaluation of the carrier's compliance with the applicable requirements of FCC rules at 47 C.F.R. §§ 54.101, 54.201 -- 54.209, and 54.400 -- 54.417, and related FCC Orders with respect to providing discounts to eligible low income consumers and seeking reimbursement from the Universal Service Fund (USF) during the year ended September 30, 2005.

The Carrier makes the following assertions with respect to Low Income Program reimbursements received from the USF for Study Area Code (ADD) during the 12-month period ended June 30, 2007:

A. Carrier Eligibility – the (name of Telecommunications Carrier) asserts that it:

1. is an eligible telecommunications carrier (ETC) (47 C.F.R. §§ 54.201(a); *Definition of eligible telecommunications carriers, generally,* which discusses carrier eligibility) and provides the services required for eligibility (54.101(a): *Services designated for support*, and (b): *Requirement to offer all designated services*; which describe the services that an eligible carrier must offer to receive federal universal service support)

2. makes available Lifeline service, as defined in 54.401, to qualifying low-income consumers (47 C.F.R. § 54.405(a): *Carrier obligation to offer lifeline*, which discusses carriers' obligations to offer, publicize, notify and allow lifeline services)

B. Advertising Supported Services – the (name of Telecommunications Carrier) asserts that it:

1. publicizes the availability of supported services in a manner reasonably designed to reach those likely to qualify for the service. Lifeline (47 C.F.R. § 54.405: *Carrier obligation to offer lifeline,: Link Up program defined* and Toll Limitation Support services (47 C.F.R. § 54.201(d)(2): *Definition of eligible telecommunications carriers, generally,* which requires the advertising of the availability of services)

C. Rate verification -- the (name of Telecommunications Carrier) asserts that it

1. provides discounts to qualifying subscribers for Lifeline service and requests reimbursement from USAC according to the following requirements and maximums:

   i. Tier 1: Available to all eligible Lifeline subscribers equal to the Incumbent Local Exchange Carrier's (ILEC's) actual federal tariffed subscriber line charge (SLC), currently capped at $6.50 per month (47 C.F.R. § 54.403 (a)(1): *Lifeline support amount,* which discusses Tier 1 support)

   ii. (if carrier is a Competitive ETC), uses the subscriber line charge of the Incumbent LEC and also uses a reasonable average calculation if using the subscriber line charge(s) of multiple Incumbents. 47 C.F.R. § 54.407: *Reimbursement for offering Lifeline,* which discusses that carriers comply with USAC administrative procedures – in this case the FCC Form 497 requires that for multiple rates an average support amount should be used)

   iii. Tier 2: $1.75 per month available to qualified low-income consumers, if the carrier received any non-federal approvals necessary to implement the required rate reduction and passes through the full amount of Tier 2 support to the qualifying low-income consumer
   (47 C.F.R. § 54.403 (a)(2): *Lifeline support amount,* which discusses
   Tier 2 support)

   iv. Tier 3: An additional amount of federal Lifeline support equal to one-half the amount of any State-mandated Lifeline support, or one half of any Lifeline support provided by the Service Provider, up to a maximum of $1.75 per month (47 C.F.R. § 54.403 (a)(3): *Lifeline support amount,* which discusses Tier 3 support)

   v. Tier 4: Additional federal Lifeline support of up to $25 per month to eligible residents of tribal lands, as defined in § 54.400 (e), as long as the amount does not bring the basic local residential rate below $1 per month per qualifying low-income subscriber (47 C.F.R. § 54.403 (a)(4): *Lifeline support amount,* which discusses Tier 4 support)

2. provides discounts to qualifying subscribers for Link Up service and requests reimbursement from USAC according to the following requirements and maximums:

    i. a reduction of half of the customary Carrier charge or $30, whichever is less, for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence (47 C.F.R. § 54.411 (a)(1): *Link Up program defined*, which discussed the amount of the reduction)

    ii. for an eligible resident of Tribal lands, an additional reduction of up to $70 to cover 100 percent of the charges between $60 and $130 for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence (47 C.F.R. § 54.411 (a)(3)): *Link Up program defined*, which discussed the amount of the additional reductions)

3. allows eligible consumers to voluntarily subscribe to toll blocking or toll control at no cost, and

    i. maintains support, such as percent of participation, to demonstrate that consumers voluntarily elected the service (47 C.F.R. § 54.101(9): *Toll limitation for qualifying low-income consumers,* which describes toll limitation services, and 54.417(a): *Recordkeeping requirements,* which require that carriers maintain records to document compliance with FCC requirements)

    ii. not charge a service deposit to customers electing the service (47 C.F.R. § 54.401(c): *Lifeline defined,* which specifies that carriers may not collect a service deposit in order to initiate Lifeline service, if the qualifying low-income consumer voluntarily elects toll limitation service from the carrier)

    iii. only claim the incremental cost of providing the service (47 C.F.R. §§ 54.403(c): *Lifeline support amount,* which specifies that Lifeline support for providing toll limitation shall equal the ETC's incremental cost of providing either toll blocking or toll control, and 54.417(a): *Recordkeeping requirements,* which require that carriers maintain records to document compliance with FCC requirements and *Federal-State Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, ¶¶ 385-389 (1997))

D. Consumer Qualification for Lifeline Service – the (name of Telecommunications Carrier) asserts that it:

1. maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up and Toll Limitation services (47 C.F.R. § 54.410: *Certification and Verification of Consumer Qualification for Lifeline,* which discusses the certification and verification requirements). This includes that an officer of the carrier:

    a. in a state that mandates state Lifeline support, certifies that the carrier is in compliance with state Lifeline income certification procedures and that, to the best of his/her knowledge, documentation of income was presented (47 C.F.R. § 54.410(b)(1): *Certification and Verification of Consumer Qualification for Lifeline,* which requires compliance with state certification procedures to document consumer eligibility)

    b. in a state that does not mandate state Lifeline support, certifies that the carrier has procedures in place to review income documentation and that, to the best of his/her knowledge, the carrier was presented with documentation of the consumer's household income (47 C.F.R. § 54.410(b)(2): *Certification and Verification of Consumer Qualification for Lifeline,* which requires compliance with state certification procedures to document consumer eligibility)

    c. by June 22, 2005, in states that mandate state Lifeline support, complies with state verification procedures to validate consumers' continued eligibility for Lifeline (47 C.F.R. § 54.410 (c)(1): *Certification and Verification of Consumer Qualification for Lifeline*, which requires compliance with state verification procedures to document consumer eligibility)

2. by June 22, 2005, in states that do not mandate Lifeline support, has implemented procedures to verify the continued eligibility of a statistically valid random sample of their Lifeline consumers and provided the results of the sample to the USAC. If verifying income, an officer of the carrier certifies, under penalty of perjury, that the carrier has income verification procedures in place and that, to the best of his/her knowledge, the carrier was presented with corroborating income documentation. In addition, the carrier has documentation that the consumer certified that he/she continues to participate in the Lifeline qualifying program or that the presented documentation accurately represents the consumer's household income and the number of individuals in the household (47 C.F.R. § 54.410(c)(2): *Certification and Verification of Consumer Qualification for Lifeline,* which requires compliance with state verification procedures to document consumer eligibility)

E. Submission of Lifeline and Link Up Worksheet (Form FCC 497) – the (name of Telecommunications Carrier) asserts that it:

1. submitted properly completed FCC Forms 497 for each month, representing discounts actually provided to subscribers, for the year ended September 30, 2005, and has the required supporting documentation for the number of subscribers, rates and other information provided on the Form (47 C.F.R. 54.407: *Reimbursement for offering Lifeline,* which discusses carrier reimbursement for providing Low Income Program support and requires the carrier to keep accurate records in the form directed by USAC and provide the records to USAC)

F. General Recordkeeping Requirements – the (name of Telecommunications Carrier) asserts that:

1. it maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs (47 C.F.R. § 54.417(a): *Recordkeeping requirements,* which require that carriers maintain records to document compliance with all FCC and state requirements governing the Low Income Program and provide documentation to FCC or USAC upon request)

2. if it sells Lifeline connections to non-ETC resellers, obtains certifications form the non-ETC reseller that it is complying with the FCC's Lifeline and Link Up requirements (*In the Matter of Lifeline and Link-Up*, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶ 40 (2004), which clarified the recordkeeping obligations of non-ETC resellers that purchase Lifeline-discounted wholesale services from ETCs to offer discounted services to low-income consumers.

Dated [Date], 2008

____
Name: Official or Owner of Carrier
and, if applicable

____
CFO or Senior Official responsible
for Accounting or USF Compliance

ATTACHMENT C

Sample Low Income Audit Program

Federal Communications Commission
Office of Inspector General

Universal Service Fund
Low Income Program Beneficiary

Attestation Audit Program

INTRODUCTION

The attached attestation audit program was developed by the FCC OIG to conduct audits of the Universal Service Fund (USF) Low Income Support Mechanism administered by the Universal Service Administrative Company (USAC). The results of these audits will fulfill required tasks under the Improper Payment Information Act (IPIA) of 2002 as well as the fiduciary responsibilities of the FCC OIG to prevent fraud, waste, and abuse in federal programs.

The Low Income (LI) program provides support to eligible low-income consumers for establishing and maintaining telephone service by discounting services provided by local telephone companies that have been designated as Eligible Telecommunications Carriers (ETCs) by a state commission or the FCC in accordance with Subpart F of the FCC's Part 36 rules and Subpart D of its Part 54 rules. The FCC's rules governing the LI program are located at 47 C.F.R. §§ 54.400-417. All ETCs are required to advertise the availability of LI support. This support does not flow to consumers directly; instead, individuals receive discounts on their monthly local telephone bills. Carriers are reimbursed for revenue they forgo providing these discounts by submitting FCC Form 497 and receiving money from the USF.

Consumer eligibility for LI support varies depending on the state in which the consumer resides. States that supplement the federal support with state funds may establish their own eligibility criteria, which must be based on income or factors directly related to income. If the state does not provide supplemental support, the eligibility criteria established by the FCC apply (i.e., participation in Medicaid, food stamps, Supplemental Security Income, federal public housing assistance, the LI Home Energy Assistance Program, or income within 135 percent of the federal poverty guidelines). Consumers need only fulfill one eligibility component to be deemed eligible for LI support. Individuals must apply for LI support through their local telephone companies.

Individuals residing on reservations or tribal lands of federally recognized Indian tribes may also qualify for supplemental (enhanced) LI support if they participate in any of these additional programs: Bureau of Indian Affairs general assistance, Temporary Assistance for Needy Families, Head Start (if income eligible), or free meals under the National School Lunch Program provide eligibility for LI program benefits.

There are three components to the LI program: Lifeline, Link Up, and Toll Limitation Service as follows:

Lifeline

Lifeline reimburses telephone companies for discounting consumers' monthly local phone bills. Lifeline support enables LI consumers to save at least $5.25 per month and up to $10.00 per month on their telephone bills. A consumer may also qualify for an additional $3.50 per month in state support if the consumer resides in a state that supplements the federal support with state support.

The total amount of discount is calculated on a tier system established in the FCC's rules. Tier One support equals the tariffed rate in effect for the primary residential End User Common Line Charge of the Incumbent Local Exchange Carrier (ILEC) servicing the area in which the qualifying LI consumer receives service. Currently, the maximum amount of Tier One support ranges from $3.50 to $6.50. Tier Two is an additional $1.75 in federal support that is currently available to all ETCs because each

state has certified that this federal support will be used to reduce intrastate rates. Tier Three support is available if the state provides support to supplement the federal Lifeline support. Tier Three support is a 50 percent match of the state support, up to a maximum of $1.75 per month.

A fourth Lifeline tier provides additional support to LI consumers living on federally recognized tribal lands. Eligible LI consumers who reside on tribal lands can receive up to an additional $25.00 discount in Tier Four support. Carriers serving low-income consumers on tribal lands, therefore, can receive between $35.00 and $38.50 per subscriber, per month in Lifeline support, depending on various factors such as the availability of state support. All qualifying low-income consumers living on tribal lands, however, are required to pay a minimum monthly Lifeline rate of $1.00.

Link Up

Link Up support reimburses ETCs for providing discounted connection charges to eligible low-income consumers. Consumers qualifying for Link Up support are eligible to save up to 50 percent on non-recurring installation fees (not to exceed $30). Link Up support is only available for a single telecommunications connection at a customer's principle place of residence.

In addition, qualifying low-income consumers living on federally-recognized tribal lands can save an additional $70 under the enhanced federal Link Up program. This enhanced support will cover 100 percent of the charges between $60 and $130 for commencing service at the subscriber's principal place of residence. These charges include any fees that the carrier customarily assesses to connect subscribers to the network including facilities-based charges associated with line extension or the construction of facilities needed to initiate service.

Toll Limitation Service

Toll Limitation Service support compensates ETCs for offering no-cost toll limitation service to low-income consumers. ETCs are required to provide at least one type of toll limitation service, either toll blocking or toll control. ETCs that serve customers who elect toll limitation service may receive support for the ETC's incremental cost of providing the service.

The audit will be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), January 2007 revision. This program may also be used, in whole or in part or may be modified as needed, for other LI audits conducted by the OIG or contractors.

Prepared By: Randal Skalski, CPA
Director, USF Program Audits, FCC OIG

Approved By: William K. Garay, CPA
Assistant Inspector General – Universal Service Fund, FCC OIG

A. Planning.			
1. Obtain from USAC LI program management the Carrier's: a. Eligible Telecommunications Carrier (ETC) designation order, b. the Form 497s for the audit period, and the most recent Form 497, c. and the service area coverage maps.			
2. Send (via mail and e-mail) an announcement letter, including questionnaire and assertion letter, to the Carrier's contact person shown on the Form 497 requesting pertinent data to be sent no later than two weeks from the letter date. (See Attachment 2)			
3. Make travel arrangements for a site visit to the Carrier's location.			
4. Prepare a planning memo for the engagement including a. background, scope, timing, staffing requirement, report distribution, b. GAGAS general standards such as independence, professional judgment, competence, and quality control			
5. Review the Carrier's completed questionnaire and pertinent data prior to the site visit.			
6. Conduct an entrance conference with the Carrier. Explain the purpose and scope of the audit and the reporting process.			
7. Document any communications with Carrier regarding responsibilities of the parties, audit objectives, scope, reporting, etc. to avoid misunderstandings. (See GAGAS Sections 6.06 to 6.08)			

B. Internal Controls – Obtain an understanding of the Carrier's internal controls as it relates to the Form 497 in order to plan audit procedures.			
1. Obtain background information on the Carrier from the Internet.			
2. Review the Carrier's documentation submitted in response to the request included in the announcement letter and identify any potential internal control concerns that need follow-up.			
3. Determine whether the Carrier maintains policies and procedures for its offered services and has effectively implemented them. (Note: Review of the policies and procedures for certifying subscriber eligibility for Lifeline, Link Up and Toll Limitation Support (TLS) is in step F.2)	D.1		
4. Examine prior audit reports requested on the questionnaire and note any significant findings that can have an impact on the Carrier's compliance with FCC rules. Inquire of any corrective actions taken to address those findings and recommendations. Determine if those actions were sufficient to minimize the risk of non-compliance. (See GAGAS Section 6.09)			
5. Inquire with the FCC OIG and USAC about the existence of any audits or investigations related to the Carrier.			
6. Interview personnel responsible for the completing the Form 497s, especially the subscriber line count data. a. Document the process and any related internal controls. b. Identify any discrepancies with answers to the questionnaire.			

7. Prepare the risk assessment matrix based on known risk factors in the LI Program. See Attachment 3. (The matrix will be used to help select the subscriber sample size for testing.)			
8. Obtain an understanding of materiality as it relates to potential violations of the LI Program. (See LI Materiality Discussion paper developed under the FY 2005 IPIA audit effort)			
C. Carrier Eligibility Requirements – Determine whether the Carrier complied with eligibility requirements.			
1. Examine the ETC Designation Order. Scan for obvious errors (e.g. Carrier name, state, etc.) Compare the date of the Order and ensure the Carrier was an ETC when support was received.	A.1		
2. Scan the Carrier's subscriber listing to ensure its subscribers' service/physical addresses are located in the areas where the Carrier is designated as an ETC. (Also See Checklist for Detailed Review of Selected Subscribers.)	A.2		
3. Examine the evidence of advertisement obtained from the Carrier and determine if the Carrier: a) offers all universal services (§ 54.101 (a)(1) through (a)(9)) throughout the service area; b) publicizes the availability of Lifeline, Toll Limitation, and Link Up support; and c) if the method of advertisement is reasonably designed to reach those likely to qualify for the service.	B.1		
4. Determine if the Carrier sells Lifeline connections to non-ETC resellers. If so, ensure that the Carrier obtains certifications from all non-ETC resellers that they are complying with the FCC's Lifeline and Link Up requirements.	F.2		
D. Support Rate Verification – Determine whether the amounts reported on the Form 497 are accurate.			

1. Tier 1: *a. Verify that the approved subscriber line* *b. If the Carrier is a CETC, verify that the Carrier used the SLC rate of its ILEC(s). If the CETC serves multiple ILECs' study areas, ensure its average calculation for the SLC is reasonable.*	C.1.i C.1.ii		
2. Tier 2: Verify that Tier 2 support is $1.75.	C.1.iii		
3. Tier 3: *a. For states that provide non-federal Lifeline suppor* *b. If the state does not mandate state Lifeline support,* *c. If neither the state nor the Carrier provides its own*	C.1.iv		
4. Tier 4: Verify that Tier 4 support does not exceed $25 c	C.1.v		
5. Link-up: *a. Verify that the Carrier claimed no more than* b. If a Carrier has multiple rates, verify that a reasonable average amount was claimed *c. Verify that for tribal subscribers, the Link-up*	C.2.i C.1.ii		
6. Toll Limitation Support (TLS): *a. Verify that Carrier maintains support, such as percent* b. Verify that the Carrier's incremental cost of providing TLS noted on its cost study or other documentation (not the retail/tariff price) agrees with the Form 497	C.3.ii C.3.iii		
E. Subscriber Count Verification – Determine whether the amounts reported on the Form 497 are accurate.			

1. Review the monthly Form 497s for the audit period as follows. a. Verify the mathematical accuracy of the monthly support amounts.	E.1		
b. Ensure that the number of Link Up subscribers is equal to or less than the number of Lifeline subscribers.			
c. Ensure that the number of Toll Limitation Support (TLS) subscribers is equal to or less than the number of Lifeline or Link Up subscribers.			
2. Agree the subscriber listing data provided by the Carrier to the corresponding lines for Lifeline, Link Up, and TLS on the Form 497s. (Note: In the announcement letter the Carrier was requested to provide subscriber listing data for selected months.)	E.1 F.1		
3. Sort the list by the subscription start date and verify that no line was connected in the months subsequent to the audit period. Also, sort the list by the disconnect date and verify that no line was disconnected in the months prior to the audit period.	E.1 F.1		
4. Test for blank or unusual notations (question marks, symbols, N/A, etc.) in the name, address, phone number, or subscription start date fields.	E.1 F.1		
5. Test for duplicate telephone numbers and addresses	E.1 F.1		
F. Subscriber Eligibility Requirements – Verify the Carrier's compliance with the certification/ verification of continued eligibility requirements.			
1. Determine whether the Carrier operates in a state that mandates Lifeline support. States that do not mandate state Lifeline support are federal default states subject to the FCC's eligibility rules.			

The following steps pertain to Carriers in states that mandate state Lifeline support. 2. Verify that the Carrier's eligibility procedures comply with its state eligibility requirements (available on the state's website or tariff) concerning document requirements and verification of subscribers' continued eligibility for Lifeline.	D.1.a		
3. Verify that the Carrier certified to USAC that it complied with the state's income certification procedures, if any, and that documentation of income was presented.	D.1.b		
4. Ensure that the eligibility criteria the Carrier uses for tribal subscribers (i.e. eligible subscribers living on tribal lands may qualify for Lifeline support even if they do not satisfy that state's eligibility criteria.)			
5. If the state requires documentation of the subscriber eligibility obtain an example of the Carrier's documentation for evidencing the subscriber's eligibility (e.g. certification form).			
a. Ensure that the certification form has all state required elements.			
b. Ensure that documentation of household income was provided prior to enrollment for income eligible subscribers.			
The following steps pertain to Carriers in states that do **not** mandate state Lifeline support. (Note: These rules contained in 54.410 were added June 22, 2004 to be effective one year later if OMB approves – check with USAC to determine applicability) 6. Verify that the Carrier certified to USAC that it has procedures in place to review income documentation and that, to the best of his/her knowledge, the Carrier was presented with documentation of the subscriber's household income.	D.1.b		

7. Obtain an example of the subscriber's certification form to ensure that the subscriber has signed under penalty of perjury that:			
a. For income based eligibility, his/her income level is at or below 135% of the Federal Poverty Guidelines OR			
b. For program based eligibility, he/she receives benefits from one of the programs: 1) Medicaid, 2) food stamps, 3) Supplemental Security Income, 4) Federal Public Housing Assistance, 5) Low-Income Home Energy Assistance Program, 6) National School Lunch Program, or 7) Temporary Assistance for Needy Families.			
Note 1: If a subscriber resides on tribal lands, he/she can qualify for support by certifying participation in any of the programs listed above in addition to 1) Bureau of Indian Affairs general assistance, 2) Tribally administered Temporary Assistance for Needy Families, and 3) Head Start. Note 2: The Carrier is not allowed to use the income level criterion to qualify subscribers for Lifeline/Link Up program until certification procedures are in place.			
8. Obtain evidence of the Carrier's verification procedures for its Lifeline subscribers' continued eligibility from USAC management.	D.2		
9. Ensure the Carrier used a statistically valid random sample of subscribers to verify continued eligibility.	D.2		
G: Detailed Subscriber Review – Examine supporting documentation of selected subscribers to test for authenticity and compliance with other requirements of the LI Support Mechanism.			

1. Based on the most updated risk assessment included as Attachment 3, determine the sample size for the number of subscribers to review in detail. Select a representative samples from the subscriber listing for each of the three LI components (Lifeline, Link Up, and TLS). Be sure to include tribal subscribers and partial month subscribers if the Carrier reported any. Also, include in the selection, subscribers that appear to have business-like names. Document the sampling methodology utilized.	E.1 F.1		
2. Complete the checklist included in Attachment 1 for each subscribed selected for detailed review.			
3. Summarize the results of the detailed subscriber review. Determine the monetary effect of any exceptions noted, and if possible, determine the projected monetary effect to the Carrier's entire subscriber listing.			
H: Quality Control – Ensure that the attestation audit meets FCC OIG and GAGAS quality standards.			
1. Conduct and document an exit conference with the Carrier at the end of field work. a. Obtain the Carrier's initial responses to the audit findings (written responses will be requested in the draft audit report). b. Ask the Carrier to complete the OIG Customer Survey on Audit Products/Services completed. (See OIG Manual Chapter 12)			
2. After the workpapers are completed an appropriate reviewer should complete the Working Paper Checklist. Corrections should be noted on the working paper review form. (See OIG Manual Chapter 16)			

3. After the a draft of the audit report is written and cross indexed to the workpapers, comply with OIG Manual Chapter 17 Paragraph regarding report referencing. (Note: The OIG Manual states that: Report referencing is solely a verification process and is not a qualitative assessment of the audit report. It is not a substitute for the preparation and cross-indexing of adequate working papers, the development of an accurate and well-written audit report, or the scrutiny of supervisory review.)			
4. After all other OIG checklists are completed, the AIG for USF Oversight and the AIG for Policy and Planning should complete the Quality Assurance Checklist. (See OIG Manual, Chapter 12)			
5. Ensure that all GAGAS general and field work standards for attestation engagements are completed. (See Government Auditing Standards, Chapter 6)			
I: Reporting – Complete the audit and ensure that the attestation audit meets FCC OIG and GAGAS reporting standards.			
1. At the end of field work, obtain a management representation letter from the Carrier and a legal representation letter from the Carrier's legal counsel.			
2. Inquire with the Carrier regarding any events subsequent to the date of field work that should be disclosed in the audit report.			
3. Reporting the views of responsible officials. (See GAGAS Sections 6.44 to 6.50) a. Request the Carrier's written responses to the draft audit report findings. b. Request USAC's written responses to the final audit report.			

4. Determine whether certain pertinent information is prohibited from public disclosure or is excluded from the report due to the confidential or sensitive nature and disclose in the report the reasons or circumstances that makes the omission necessary. (See GAGAS Sections 6.51 to 6.55)			
5. Complete the steps in the Audit Report Checklist to be verified by an appropriate reviewer. (See OIG Manual Chapter 17)			
6. Ensure that other all GAGAS reporting standards for attestation engagements are completed. (See GAGAS, Chapter 6)			