

# Document Retention Requirements

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The FCC's July 2014 E-rate Modernization Order expanded the E-rate documentation requirement for both applicants and service providers from five years to 10 years from the last date to receive service, or equipment delivery date, whichever is later. This requirement relates to all documentation related to pre-commitment, contracting, post-commitment, invoicing and all backup data that supports the certifications made on any E-rate application.

Generally, the last date to receive service is considered the final day of the funding year. For example: For FY 2017, the last date to receive recurring service is June 30, 2018. All documents related to FY 2017 must be kept through June 30, 2028. For multi-year contracts, contract documentation and bids must be kept 10 years from the last date of service under the contract, even if the contract was competitively bid 15 years ago. For example: A five year contract starts July 1, 2016 and expires June 30, 2021. All documents related to this contract, including original competitive bidding documents, must be kept through June 30, 2031.

Because this is an E-rate rule, rather than simply a procedural requirement, violations can subject an applicant to a commitment adjustment ("COMAD"). If during an audit, an applicant cannot properly document any required aspect of a funded service, USAC may demand the repayment of all associated funds.

There is no official list of documents that must be retained but the following list has been compiled from reviewing FCC orders and USAC guidance.

- **Pre-bidding Process.** Beneficiaries must retain the technology plan and technology plan approval letter for funding years prior to Funding Year 2013 (technology plans are no longer required beginning in FY 2015). If consultants are involved, beneficiaries must retain signed copies of all written agreements with E-rate consultants.
- **Bidding Process.** All documents used during the competitive bidding process must be retained. Beneficiaries must retain documents such as: Request(s) for Proposal (RFP(s)) including evidence of the publication date; documents describing the bid evaluation criteria and weighting, as well as the bid evaluation worksheets; all written correspondence between the beneficiary and prospective bidders regarding the products and service sought; all bids submitted, winning and losing; and documents related to the selection of service provider(s). Service providers must retain any of the relevant documents described above; in particular, a copy of the winning bid submitted to the applicant and any correspondence with the applicant. Service providers participating in the bidding process that do not win the bid need not retain any documents.
- **Contracts.** Both beneficiaries and service providers must retain executed contracts. All amendments and addendums to the contracts must be retained, as well as other agreements relating to E-rate between the beneficiary and service provider, such as up-front payment arrangements and all change orders or documentation for verbal change orders.
- **Application Process.** The beneficiary must retain all documents relied upon to submit the Form 471, including National School Lunch Program eligibility documentation supporting the discount

percentage sought; documents to support the necessary resources certification, including budgets; and documents used to prepare the Item 21 description of services.

- **Purchase and Delivery of Services.** Beneficiaries and service providers should retain all documents related to the purchase and delivery of E-rate eligible services and equipment. Beneficiaries must retain purchase requisitions, purchase orders, packing slips, delivery and installation records, showing where equipment was delivered and installed or where services were provided. Service providers must retain all applicable documents listed above.
- **Invoicing.** Both service providers and beneficiaries must retain all invoices. Beneficiaries must retain records proving payment of the invoice, such as accounts payable records, service provider statement, beneficiary check, bank statement or ACH transaction record. Beneficiaries must also be able to show proof of service provider payment to the beneficiary of the BEAR, if applicable. Service providers must retain similar records showing invoice payment by beneficiary to the service provider, USAC payment to the service provider, payment of the BEAR to the beneficiary, through receipt or deposit records, bank statements, beneficiary check or automated clearing house (ACH) transaction record, as applicable. Note: Beginning July 1, 2016, the vendor will no longer be the pass-through agent for BEAR reimbursements as all BEAR reimbursements will be made through electronic funds transfer directly to the applicant's bank account.
- **Inventory.** Beneficiaries must retain asset and inventory records of equipment purchased and components of supported internal connections services sufficient to verify the location of such equipment. Beneficiaries must also retain detailed records documenting any transfer of equipment within three years after purchase and the reasons for such a transfer.
- **Forms and Rule Compliance.** All program forms, attachments and documents submitted to USAC must be retained. Beneficiaries and service providers must retain all official notification letters from USAC, as applicable. Beneficiaries must retain Form 470 [and] Form 471 and certification pages (if not certified electronically), Form 471 Item 21 attachments, Form 479, Form 486, Form 500, Form 472. Beneficiaries must also retain any documents submitted to USAC during program integrity assurance (PIA) review, Selective Review and Invoicing Review, or for SPIN change or other requests. Service providers must retain FCC Form, Form 474 and Form 498, as well as service check documents. In addition, beneficiaries must retain documents to provide compliance with other program rules, such as records relevant to show compliance with CIPA. Beginning with Funding Year 2016, most of the USAC forms and correspondence are issued through and retained in the EPC portal. Applicants should continue to keep all other records and backup documentation to validate or substantiate the data that was provided on the forms.

According to SLD, the top five missing documents identified during site visits and audits are:

- Discount verification (NSLP, survey, etc.)
- Asset listing not maintained or updated
- Signed and dated contracts
- Missing invoices and cancelled checks
- Bid evaluation documentation

# E-rate Audits

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The primary purpose of audits is to ensure compliance with Federal Communications Commission (FCC) rules and program requirements (the Rules) and to assist in program compliance. Audits can be randomly selected or targeted to include a wide variety of entities with regard to size and geographic location. Selection for an audit is not necessarily an indication that USAC believes problems exist.

## **BCAP – Beneficiary and Contributor Audit Program**

The Beneficiary and Contributor Audit Program (BCAP) is designed to measure rates of program compliance among universal service beneficiaries and contributors. USAC utilizes audit approaches tailored to both the distinctive features of the participant's organization and the specific amounts of money being audited. Carried out by auditors trained in universal service contributor and program audit requirements, these audits serve to identify areas of non-compliance with program rules and amounts of recoverable funds. The audits are designed and conducted so as not to impose undue demands in time or energy on program participants. USAC worked closely with the Federal Communications Commission (FCC) to develop and implement this program.

Beneficiary and service provider audits may be performed by USAC's internal audit staff, the FCC Office of Inspector General, Inspectors General of other federal agencies, or a firm under contract to USAC or the FCC. Please feel free to contact the USAC Internal Audit Division (IAD) at (202) 776-0200 if you have any concern as to the proper identity of any individual contacting you regarding an audit.

An announcement letter is sent detailing the purpose and scope of the audit, identifying the personnel who will be performing the audit, making a request for pertinent data, and stating the date upon which the documentation is due. Typically a beneficiary will be contacted by USAC two to three weeks prior to the start of an audit to assure that the appropriate personnel and documentation will be available. The anticipated duration of an audit can vary depending on the quantity, size, and dollar value of the funding involved.

## **How USAC Conducts Its Audits**

USAC obtains documentation to support the:

- Applicant eligibility
- Competitive bidding process
- National School Lunch Program (NSLP) discount calculations
- Disbursements
- Children's Internet Protection Act (CIPA); and
- Delivery or installation of eligible products and services
- Technology planning, as appropriate (Funding Year 2014 and prior)

To prepare for an audit, applicants should have certain documentation available for the auditors. See USAC Audit Documentation Checklist.

## **Audit Reporting**

A USAC audit may identify conditions that are categorized as an audit finding or an "other matter." An audit finding is a condition that shows evidence of noncompliance with FCC regulations and orders set forth primarily in 47 C.F.R., as well as other program requirements (collectively, the Rules). An "other matter" is a condition that does not necessarily constitute a Rule violation, but warrants the attention of the auditee and USAC management. The audit findings and "other matters" will contain background information, the audit step performed, the condition noted, and the basis for the condition noted. After the audit is completed, an exit conference will be held with the auditee to review the results of the audit and the next steps of the process.

The auditee will be given an opportunity to provide a response to the audit findings and "other matters" (if any) within five business days – unless advised otherwise by the auditor. USAC management will review the auditee's response, and will prepare a response to address the conditions and note corrective actions as necessary.

Both the auditee and USAC management responses will be incorporated into the draft report and submitted to the USAC Board of Directors to be deemed final. The USAC Board of Directors may request USAC management to reassess any aspect of the report prior to the report becoming final. Once finalized, both the auditee and the FCC will receive copies of the audit report. The final report may be made available to the public upon request.

## **Common Audit Findings**

- Entity did not retain documentation to show compliance with competitive bidding requirements
- Entity did not retain documentation to support discount calculation data as indicated on the Form 471
- Discrepancies existed in the total student and/or NSLP student count
- Entity did not retain a copy of the Technology Plan Approval Letter
- The non-discount portion of the cost of services provided was not paid
- Service provider bills did not list the details of services and/or equipment provided
- The applicant could not produce copies of all service provider bills received
- Equipment and/or services were ineligible
- Equipment was not installed
- Equipment could not be located
- The applicant was unable to make effective use of the discounted services
- Consortium was missing Letters of Agency (LOA)

## **Steps to Minimize Audit Findings**

- Document, document, document
- Organize application documentation in a logical manner
- Throughout the funding year, obtain copies of necessary documentation (i.e., copies of service provider bills, cancelled checks, contracts, equipment delivery documentation, maintenance documentation, etc.) and keep in a central location
- Keep equipment inventory up-to-date
- Perform reconciliation of service provider bills with invoices submitted to USAC using the Form 472 (BEAR), and with reimbursements received from service providers

## **Steps for Service Providers to Minimize Audit Findings and Assist Applicants**

- Document, document, document
- Provide sufficient detail on bills
- Include items such as Funding Request Numbers (FRNs), specific details of the items purchased such as serial numbers, quantity, product descriptions, and product delivery information
- On bills, indicate the total amount due less amounts paid by or to be paid by USAC ("Pre-Discount Amount")
- Indicate payment terms of the net amount of the bill
- Separate eligible items from ineligible items
- Best practice is to generate separate bills for eligible and ineligible items to reduce risk of the applicant or service provider including an ineligible item on an Form 472 (BEAR) or Form 474 (SPI)
- Complete BEAR or SPI by using one line per customer bill

To prepare for an audit, you should have the following documentation readily available for the auditors:

### **Applicant Eligibility**

Documentation to support eligibility, such as:

- For schools - Accreditation, Charter, or other documentation that supports that the Block 4 entities meet the definition of Elementary or Secondary School
- For libraries – Documentation that shows the Block 4 entities are eligible to receive funds from a State library administrative agency under the Library Services and Technology Act (LSTA)
- For non-public schools or libraries – documentation that supports that the school or library is a non-profit entity

### **Competitive Bidding**

Documentation to support competitive bidding, such as:

- Copies of state and local procurement regulations and procedures, if applicable
- Copy of procurement policy and/or procedure
- Overview of the service provider selection process including criteria and weighting of the criteria
- RFPs issued
- Copies of all bids received (winning and losing)
- Written correspondence between the applicant and any prospective bidders
- Bid evaluation documentation including evaluation worksheets
- Meeting minutes, sign-in sheets, and/or meeting agendas where bid evaluation was discussed
- Contracts for supported services
- List of all service providers supplying discounted services including contact information
- Documentation of any SPIN change request including copy of notice to original service provider
- Documentation to support that the selected services and/or equipment was cost effective
- Any other available documentation concerning bid evaluation

### **Discount Calculation**

Documentation to support the discount calculation, such as:

- Supporting worksheets or reports that were used to populate the Block 4 discount calculation information

- Copies of any policies and/or procedures related to the discount calculation process or methodology (i.e. – NSLP, surveys, CEP, Provision 1, 2, or 3, etc.)

### **Technology Planning (for funding years prior to FY 2013)**

Documentation to support Technology Planning, such as:

- Technology Plan, including date created
- Technology Plan approval letter
- Documentation showing review of the Technology Plan at least every three years

### **Disbursements**

Documentation to support disbursements, such as:

- Detailed procedures for validating and processing service provider bills and submitting invoices to USAC (if applicable)
- Copies of service provider bills for supported services
- Reconciliation by FRN of service provider bills to invoices submitted to USAC (if applicable)
- Documentation of payment (canceled checks) for services to service providers
- Documentation showing receipt and deposit of any reimbursement amounts received

### **Children's Internet Protection Act (CIPA)**

Documentation to support compliance with CIPA, such as:

- Copy of the Internet safety policy or acceptable use policy
- Documentation of the adoption of the Internet safety policy
- A copy of the minutes and the date of the public hearing regarding the Internet safety policy
- A description of the Technology Protection Measure used
- A copy of a report (if applicable) from the Technology Protection Measure for the Funding Year(s) subject to audit
- Copies of Forms 479, Certification by Administrative Authority to Billed Entity of Compliance with the Children's Internet Protection Act (CIPA) and/or Forms 486, Receipt of Service Confirmation, as applicable

### **Services**

Documentation to support services, such as:

- Summary of the technology environment and a high-level network diagram
- Summary of the use of the supported service and/or equipment
- Any other documentation on the services (such as training and workstations) necessary to make effective use of Schools and Libraries Program discounts
- List of Schools and Libraries Program supported services and/or equipment including references to vendor bill, USAC invoice, serial number, and current physical location
- Documentation verifying date of receipt of services and/or equipment
- For Basic Maintenance of Internal Connections – documentation to support that the funded service was received
- Documentation to support any service substitutions

### **Other**

- Copies of all forms submitted to USAC and all letters/notifications received from USAC
- OMB A-133 audit, if applicable

- Reports of any other audits conducted that relate to either the Schools and Libraries program or the National School Lunch Program (NSLP)
- Copies of financial statements and annual budgets for the Funding Year(s) under review
- Copy of the records retention policy
- List of individuals including staff, service providers, and consultants that work on Schools and Libraries Program- funding requests, as well as their roles and responsibilities
- Any correspondence from or to USAC, the FCC, potential service providers, or any individuals listed above
- For consortia, letters of agency

**Additionally, you should have the following people available to answer questions:**

- Person who managed the bidding and award process
- Person who reviews and approves vendor bills
- Person who prepares invoices
- Person who writes checks, makes deposits, and reconciles the bank account
- Person knowledgeable about the network and the location of equipment

### **Payment Quality Assurance (PQA) Audit Program**

The Payment Quality Assurance (PQA) Program allows USAC to provide the Federal Communications Commission (FCC) with information about improper payments to program beneficiaries, as required by the Improper Payments Information Act of 2002 (IPIA) [PDF \(opens in new window\)](#) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) [PDF \(opens in new window\)](#). Under this program, USAC assesses specific payments made to select beneficiaries in all four programs to determine if these payments were made in accordance with FCC rules. Using results of these assessments, USAC calculates estimates of improper payment rates and provides this information to the FCC.

Pursuant to FCC rules, participation in the PQA Program is compulsory for any universal service beneficiaries selected for assessment.

When selected, Schools and Libraries Program beneficiaries receive a letter by email from USAC. This letter will specify the payment under assessment, instructions about what information and documents to gather, and how to submit these materials. The Schools and Libraries Program Beneficiary has 10 business days from the date of the first notification letter to gather and submit the materials requested for carrying out the payment assessment. The time required to produce documents will vary, depending on the volume, complexity, and accessibility of documents requested. Generally speaking, if you need more time, extensions may be obtained by contacting the person who sent you the PQA document request.

PQA participants from the Schools and Libraries Programs will have to submit formal confirmation that they have received and utilized goods and/or services associated with the payment being assessed as well as their eligibility under Federal Communications Commission (FCC) rules for such receipt and use.

In some cases, USAC will use audit follow-up procedures defined by the Office of Management and Budget to recover funds that are identified as improper payments.

PQA processors are available by phone to assist participants with understanding and fulfilling program requirements. A unique case number assigned by USAC is also included in the letter for you to associate all documents and communications related to the assessment.

The materials requested include the following (taken directly from a PQA Audit Letter):

1. A document that indicates the beneficiary's non-profit or government subdivision/unit status. Examples include: most recent audited financial statement (stating the type of entity or requiring compliance with Single Audit procedures) or IRS Not-for-Profit Determination Letter.
2. A document that indicates status as a primary/secondary school/district, or library eligible under Library Services and Technology Act (LSTA). Examples include: website, or other published or official document.

NOTE: Non-Public schools must ALSO send a document of accreditation such as a "Certificate of Accreditation," which is provided by either national or regional private school accreditation associations (e.g. the NCPSA, the NIPSA, the ACSI, etc.).

3. For libraries only: Budget relating to funding year.
4. List of all entity names and entity numbers (at the school level) that received products and/or services associated with the FRN identified on the notification letter. Please include the physical address and county of all entities.
5. Service Provider bill(s) related to the Customer Billed Date or Customer Service Product Delivery Date identified on the notification letter that support(s) the disbursement under review. Please follow the instructions below:
  - a. Note on the bill the Funding Request Number (FRN);
  - b. Circle on the bill the relevant products and/or services AND charges associated with the FRN under review; and
  - c. Note on the bill the date the beneficiary first received the products and/or services for the funding year under review.

NOTE 1: If the undiscounted charges filed with USAC were incurred over more than one month and/or on more than one bill, be certain to send ALL the bills over which these undiscounted charges were incurred.

NOTE 2: If any single service provider bill related to the FRN under review exceeds 20 pages, please contact PQA processor prior to submitting service provider bills for review.

6. Copy of service provider bill(s) showing the discount amount credited or a reimbursement check from the service provider for the disbursement amount under review.

NOTE 1: If providing a reimbursement check from the service provider, please also provide documentation showing it was deposited, such as the cancelled deposit slip or relevant bank statement.



NOTE 2: If the total amount on the reimbursement check is larger than the disbursement under review, please provide the breakdown to substantiate that the disbursement is included in the check total.

7. The Technology Plan Approval Letter for the FRN identified on the notification letter, except for requests for basic telephone services for all funding years, FY 2010 or later requests for Voice Over Internet Protocol (VOIP) or FY 2011 or later funding requests for telecommunication services and internet access (Priority One service categories).
8. For Consortia only: Letters of Agency for entities listed on the Form 471 for the funding year identified on the notification letter. If your consortium does not require Documentation/LOAs as a result of laws governing the mandatory participation of all schools and/or libraries in your consortium, provide a copy of the state statute or regulation in regards to the mandatory participation of the consortium member entities.
9. Completed, printed, and signed Confirmation Letter, include ALL pages.  
NOTE: Please provide a detailed explanation for any "no" answers.
10. Service Provider selection documentation that relates to the FRN under review:
  - a. Bid evaluation worksheet(s) including criteria and weighting of the criteria or documents that support the service provider selection process.  
If one bid or no bids were received, please provide a statement to that effect.
  - b. Relevant contract(s) between the beneficiary and service provider, except for products and/or service covered by non-contracted tariff/month to month or State Master Contract.
11. Proof of payment to the service provider for the relevant service provider bill(s) (Document Reference Identifier E):
  - a. Proof of payment, e.g. the front of the payment check(s), subsequent bill(s) showing payment received, or a credit card statement.  
  
AND
  - b. Proof the payment was deposited, e.g. the back of the payment check(s), monthly bank statement(s) showing the check(s) cleared, or a credit card statement.
12. If the FRN referenced above included funding for Internet Access, Internal Connections, or Basic Maintenance of Internal Connections, provide a brief description of how your entity was in compliance with the requirement of the Children's Internet Protection Act (CIPA), which states that a technology protection measure was in place that protected both adults and minors against obscene visual depictions or harmful web content, which could have been otherwise accessed through the beneficiary's computers. Please provide a statement to include the following:
  - a. The name of the filtering product (e.g. Barracuda);
  - b. The product title (e.g. Barracuda NG Firewall); and
  - c. A description of the product's capabilities to secure the beneficiary's web content.

If applicable, the documentation could instead include, for example, the contract number for the technology protection measure.

NOTE: Minutes from a Board Meeting are NOT sufficient documentation.

13. If the FRN referenced above included funding for Internal Connections provide:
  - a. General description of the information technology environment and a high-level network diagram. The description should include how E-Rate funding for internal connections is being used in the IT environment and what locations receive the services.
  - b. Asset and inventory records reflecting equipment purchased for the Funding Year under review. This listing should include the following items:
    - Make
    - Model
    - Serial number (if available)
    - Current physical location (include room number)
    - Date installed
    - FRN
    - Customer bill reference number(s)

# COMAD / Recovery of Funds

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## **Commitment Adjustment (COMAD)**

At times, USAC may conduct post-commitment funding reviews which may include Program Integrity Assurance (PIA) reviews, audits, invoice reviews, appeal reviews, and other investigations (such as whistleblower alerts). As a result of these reviews, USAC may discover that certain funds were committed in error. The FCC requires USAC to rescind such commitments and recover funding that may have been improperly disbursed. USAC refers to this process as the "Commitment Adjustment" or "COMAD" process.

If a COMAD is necessary, USAC will provide both the applicant and the service provider with a Commitment Adjustment Letter containing a Funding Commitment Report which lists the Funding Request Number(s) (FRNs) affected by the COMAD. Decisions on COMADs can be appealed, and appeal information is included in the letter.

If the amount of funds disbursed to date exceeds the Adjusted Funding Commitment amount, USAC must recover the funds disbursed in error. In these cases, USAC will send a letter to the service provider describing the process for recovering those funds; the applicant will receive a copy of that letter. This letter will include an explanation of the options available for USAC to recover the funds disbursed in error. Future communications from USAC concerning the COMAD are tailored to the responses(s) received.

If the amount of funds disbursed to date is less than the Adjusted Funding Commitment amount, USAC will continue to process properly-filed invoices up to the Adjusted Funding Commitment amount.

In general, if funds need to be recovered, USAC will seek recovery from the responsible party.

## **Recovery of Improperly Disbursed Funds (RIDF)**

When USAC discovers that funds were disbursed in error but the decision to commit the funds was correct, such as invoicing USAC for ineligible products/services, USAC will seek recovery of the improperly disbursed funds (RIDF). The commitment may not be adjusted when a RIDF is determined. Once the improperly disbursed funds are returned to USAC, USAC will pay valid invoices submitted for that FRN.

## **Returning Funds to USAC**

To return funds to USAC, a Payment Identification Worksheet must be completed to ensure funds are properly assigned to the correct BEN and FRN.

If you are mailing your check and letter to USAC, use the following address:

### **U.S. Postal Service/Standard Mail for Payments:**

USAC  
PO Box 105056  
Atlanta, GA 30348-5056

**Courier/Overnight Packages:**

USAC

Lockbox 105056

1075 Loop Road

Atlanta, GA 30337

(404) 209-6377

**ACH payments:**

Should be sent in a CCD+ format to:

Please call USAC Customer Operations at (888) 641-8722 for USAC banking account and routing numbers.

**Wire Transfers:**

Bank Name: Bank of America

Location: 100 West 33rd Street, New York, NY 10001

Account Name: UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Please call USAC Customer Operations at (888) 641-8722 for USAC banking account and routing numbers.



## PAYMENT IDENTIFICATION WORKSHEET

So that we can properly apply your payment, please fax or email this worksheet for ACH and wire payments. Payments should be sent to USAC using the instructions found on the Payment Instructions page of our website.

**Fax:** (888)-637-6226 Attn: Collections

**Email:** [Collections@usac.org](mailto:Collections@usac.org) Attn: Collections

<b>Check Number:</b>	<b>Total Sum of Payment:</b>
<b>Customer Name:</b>	<b>Date:</b>
<b>Contact Person:</b>	<b>Phone:</b>

Please provide all the details for each line item in the table below.

FRN #	498 ID #	471 #	BEN #	Amount	Reason for Return
<b>TOTAL</b>					

Use additional worksheets if you need more space.