



KPMG LLP
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January [REDACTED], 2008

Dear Schools and Libraries Program Beneficiary:

The attached letter from Universal Service Administrative Company's (USAC) Internal Audit Division (Attachment A) states that USAC has engaged various audit firms to perform compliance attestation examinations of recipients of Schools & Libraries (S&L) Program funds. The Federal Communications Commission's Office of the Inspector General (FCC OIG) is overseeing these examinations and expects your full and complete cooperation during the examination (see the FCC OIG's letter at Attachment B).

KPMG LLP has been selected to conduct the examination of the [REDACTED] Beneficiary Number [REDACTED]. We are planning to perform this examination during the months of January and February. We anticipate that fieldwork at your location will take approximately three weeks. However, our ability to complete the examination within that number of weeks will depend on the availability of your staff and the documentation made available to us both prior to our arrival at your location and during the rest of the examination.

The examination will cover the following disbursements from the Universal Service Fund made during the period July 1, 2006 through June 30, 2007:

FUNDING YEAR(s)	FORM 471 NO.	FRN(s)	AMOUNT DISBURSED
2005	[REDACTED]	[REDACTED]	[REDACTED]
2006	[REDACTED]	[REDACTED]	[REDACTED]
2005	[REDACTED]	[REDACTED]	[REDACTED]
2005	[REDACTED]	[REDACTED]	[REDACTED]

To help you further understand what the examination covers Attachment C, the Invoice/Disbursement Spreadsheet, relates the FRN disbursements listed above to the invoices submitted to USAC.

As stated in the attached letter from USAC, the examination relates to your compliance with FCC Rules for the S&L Program. It will cover:

- Record keeping
- Applications for each Funding Year listed above



- Service provider selection and contracting for the FRN(s) listed above
- Supporting documentation for the reimbursements listed above

The examination team will include the following KPMG personnel:

NAME	POSITION	PHONE NUMBER	EMAIL
Michael Vierheller	Partner	412-232-1676	mvierheller@kpmg.com
Eric Davis	Manager	412-232-1673	ewdavis@kpmg.com
Dawn Fisher	Senior Associate	412-208-2984	dmfisher@kpmg.com

They will contact you within the next week to discuss the examination and the timing of their visit to your location. A key objective of that discussion will be to make sure that you clearly understand what you need to do to ensure that the examination goes smoothly and efficiently. Those requirements include:

1. Within ten business days, sending us the documents requested in Attachment D
2. Completing Attachment F, Internal Control Questionnaire, and including it with the Attachment D documents
3. Gathering and organizing the documents requested in Attachment E for the examination team's on-site visit
4. Prepare the Service Provider Bill & Reimbursement Reconciliation spreadsheet (Attachment G) that is requested in item I of Attachment E

In addition to the URL link included on page two of USAC's letter, we encourage you to review the "Understanding Beneficiary Audits" page (<http://www.usac.org/sl/about/audits/default.aspx>) on USAC's website.

Please send the documents requested in Attachment D to the following address:

KPMG LLP
One Mellon
Bank Center
Pittsburgh, PA 15219-2598
ATTN: Steve DeNoon



If there are any immediate matters or issues that you would like to discuss please call the contacts listed above or John Fenstermaker at 703-286-8341.

Sincerely,

A handwritten signature in cursive script that reads 'Joseph M. Crostic'. The signature is written in black ink and is positioned below the word 'Sincerely,'.

Joseph M. Crostic
Lead Engagement Partner

Attachments:

- A. USAC letter signed by Wayne Scott, Vice President Internal Audit Division
- B. FCC OIG letter signed by Kent R. Nilsson, Inspector General
- C. Invoice/Disbursement Spreadsheet
- D. Documentation to be Sent to KPMG within Ten Business Days of Examination Notification
- E. Documentation to be Provided to KPMG Upon Arrival at Your Location
- F. Internal Control Questionnaire
- G. Service Provider Bill & Reimbursement Reconciliation
- H. Assertions Letter Example

cc: USAC



Wayne M. Scott
Vice President

Internal Audit Division

November 2, 2007

RE: FCC Inspector General Universal Service Fund Audits – Round 2 (2007-2008)

Dear Schools & Libraries Program Beneficiary:

The Universal Service Administrative Company (USAC) has engaged the services of professional public accounting firms (audit firms) to perform examinations of recipients of Universal Service Fund (USF) Schools & Libraries (S&L) funds. These Examinations are being conducted under the direction of the Federal Communications Commission (FCC) Office of Inspector General (OIG) principally to assess compliance with FCC Rules and to address requirements related to the Improper Payments Information Act (IPIA).¹ The examination of your organization relates to compliance with FCC Rules and the S&L Program disbursements. The efficiency of the examination will depend on the availability of your staff and the condition of the documentation made available prior to and during the course of the examination.

Nature of the Examination

As more fully described in Governmental Auditing Standards and AICPA Standards (Section AT 601), a compliance attestation examination requires that management:

- 1) Perform an evaluation of its compliance with *47 C.F.R Part 54, Subparts C and F and applicable FCC Orders ("Rules and Orders")*
- 2) Acknowledge (in the form of an assertion letter, which will be discussed with management at the inception of this examination) responsibility for compliance with applicable requirements of the Rules and Orders; and
- 3) Provide a representation letter to the audit firm. The form and content of the management representation letter will be discussed with management at the inception of this examination.

Contact Information

The audit firm will provide you with contact information of audit firm personnel responsible for conducting the audit. If you have any questions or concerns that the audit firm cannot address, please contact the following personnel:

NAME	COMPANY	POSITION	PHONE NUMBER	EMAIL
Jeff Mitchell	USAC	Director, Outsourced Audit Services	202-776-0200	jmitchell@usac.org
William Garay	FCC	Assistant Inspector General, USF Programs	202-418-7899	William.Garay@fcc.gov

¹ Public Law 107-300, Stat. 2350, November 26, 2002

Other Matters

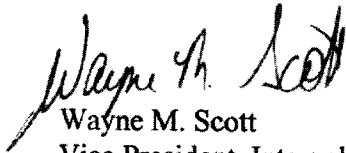
Please recognize that the audit firm has the same authority as USAC's Internal Audit Division to request and view documents.

The results of the audit firm's work including your management's written response will be presented in a draft report to USAC and the FCC Office of Inspector General (FCC OIG). Upon review and approval of the report by USAC in consultation with FCC OIG, the report will be distributed to appropriate parties.

The following URL provides some additional information to assist your understanding of this examination: <http://www.sl.universalservice.org/reference/bestpractices.asp>.

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. Jeff Mitchell or myself.

Sincerely,



Wayne M. Scott
Vice President, Internal Audit Division
Universal Service Administrative Company



OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20054

December 28, 2007

Dear Schools and Libraries Program Beneficiary:

Under the oversight of the Federal Communications Commission's Office of the Inspector General ("FCC OIG"), the Universal Service Administrative Company ("USAC") is auditing beneficiaries that receive federal Universal Service Funds ("USF") from the FCC's Schools and Libraries Support Program. Under this audit process your organization named in the audit firm's announcement letter was randomly selected for audit, and USAC retained a CPA audit firm to audit your organization. As a consequence, the FCC's Inspector General expects that the CPA firm will be given immediate and complete access to the books, records, and any other supporting documentation that was requested of your organization in the enclosed audit announcement letter from USAC and any additional information that the auditor shall require.

As the FCC-appointed administrator of the Universal Service support mechanisms,¹ USAC is legally authorized to audit schools and libraries reporting USF data.² The FCC, the FCC Inspector General, and USAC may request and obtain all records and documents and other information that is necessary to determine whether your entity has been in compliance with all FCC and state requirements for the Schools and Libraries Support Program.³ Under the Commission's rules, schools and libraries are required to maintain records and documents that demonstrate compliance with the FCC's rules and orders that are applicable to the Schools and Libraries USF fund. Upon request from the FCC or the Administrator or the FCC Inspector General, schools and libraries shall provide such records to the FCC or to the FCC Inspector General, or to the Administrator's auditors.

We look forward to your full and complete cooperation with the assigned CPA firm in its efforts to complete the audit of your organization. Failure to comply with FCC rules will

¹ 47 CFR § 54.701(a)

² 47 CFR § 54.707

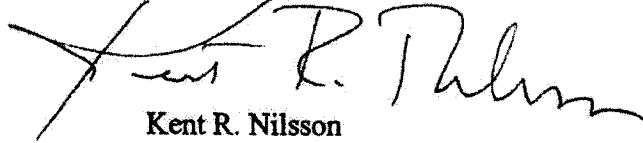
³ 47 CFR § 32.12; 5 USC, app. 3, § 6(a)(1)

ATTACHMENT B

subject your organization to the enforcement provisions (e.g., fines and forfeitures) of the Communications Act of 1934, as amended, and all other applicable laws and regulations.

If you have any questions, please contact William Garay, Assistant Inspector General for Universal Services Program at (202) 418-0814 or email to William.Garay@fcc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Kent R. Nilsson". The signature is fluid and cursive, with a large initial "K" and "N".

Kent R. Nilsson
Inspector General

cc: Mr. Jeffrey A. Mitchell, USAC



ATTACHMENT D
DOCUMENTS TO BE SENT TO KPMG LLP
WITHIN *TEN BUSINESS DAYS* OF EXAMINATION NOTIFICATION

1. Technology plan(s) covering the Funding Year(s) identified in the letter. <i>(Not necessary if the FRNs are only for basic local and long distance telephone services.)</i>
2. Approval letter(s) for the technology plans in item 1 above.
3. Technology budget(s) for the technology plans in item 1 above.
4. General description of the information technology environment and a high-level network diagram. <i>(The description should include how S&L Program funding for internal connections is being used in the IT environment.)</i>
5. Method used and documentation supporting the discount calculation. Please, identify each entity included in your supporting documentation with the Entity Number assigned by USAC, as it is included in your FCC Forms 471.
6. Copies of audited financial statements for the Funding Year(s) identified in the accompanying letter and a copy of the most recent statements.
7. If your organization is required to have a Single Audit, copies of the OMB Circular A-133 audit reports covering the Funding Year(s) identified in the accompanying letter through the most recent such report,
8. Copies of your Internet Safety Policy and other documentation supporting compliance with the Children's Internet Protection Act (CIPA).
9. Fixed asset inventory or other records listing S&L Program funded equipment that was acquired and reimbursed under the FRN(s) identified in the accompanying letter. <i>(Not necessary if the FRNs related to services rather than equipment.)</i> This listing should include the following elements: <ul style="list-style-type: none">• Make• Model• Serial number• Physical location (including room number and any movement history)• Date installed• FRN• Customer bill reference number(s)
10. Copies of all relevant contracts and written agreements with service providers and consultants for the period(s) and FRN(s) identified in the accompanying letter. <i>(Include addendums and amendments.)</i>
11. Record Retention Policy that applied to and was followed for S&L Program documentation.
12. Completed Internal Control Questionnaire (see Attachment F).



ATTACHMENT E

DOCUMENTS DUE TO KPMG LLP UPON ARRIVAL AT YOUR LOCATION

<p>A. Copies of the following forms (if applicable) for the Funding Year(s) and FRN(s) identified in the accompanying letter:</p> <ul style="list-style-type: none">i. FCC Form 470ii. FCC Form 471iii. FCC Form 486iv. FCC Form 472 (BEAR), if used for reimbursement(s)v. FCC Form 500, if applicable
<p>B. All documentation associated with above FCC Form(s) 471 and selected FRN(s) to include, but not limited to, service substitution approval letters and equipment transfer notification letters to USAC.</p>
<p>C. When FCC Form 472 (BEAR) is used:</p> <ul style="list-style-type: none">i. Copy of canceled checks written to the service providerii. Copy of bank statement and any other supporting documentation to confirm receipt of the discounted portion from the service provider.
<p>D. When FCC Form 474 (SPI) is used, copy of canceled check written to the service provider to cover the non-discounted portion.</p>
<p>E. Copies of local and state procurement regulations pertaining to contracting for the purchase of telephone service, internet access, and internal connections.</p>
<p>F. In association with the above FCC Form(s) 471, information related to the service provider selection process including, but not limited to:</p> <ul style="list-style-type: none">i. RFPs or bidding specificationsii. all bids received (both winning and losing)iii. correspondence (including informal communications) with potential selected service providers (i.e. competitive bidding, service issues, etc.)iv. meeting minutes for discussions and selection of service provider(s)
<p>G. Copy of relevant meeting minutes during the period(s) being examined where the S&L Program was an agenda item.</p>
<p>H. If applicable, copies of contract(s) for the technology protection measure (i.e. Internet filter) and invoices for the Funding Year(s) under review.</p>
<p>I. Using the Invoice/Disbursement Spreadsheet (Attachment C), prepare the Service Provider Bill & Reimbursement Reconciliation (see Attachment G) that provides an analysis of service provider bills to S&L Program invoices. Also provide copies of the bills and invoices. <i>(Attachment G includes an instructions tab.)</i></p>
<p>J. The FCC-OIG has requested the following contact information:</p> <ul style="list-style-type: none">i. School board members' names and telephone numbersii. Superintendent's name and telephone numberiii. Principal's name and telephone number (if the beneficiary is an individual school)



- iv. CFO or controller's name
- v. Consultant's company name, address, and telephone number, as well as the individual consultant's name (if a S&L Program consultant is used)