



**OFFICE OF
INSPECTOR GENERAL**
FEDERAL COMMUNICATIONS COMMISSION

45 L Street NE, Washington, DC 20554
www.fcc.gov/inspector-general

Report on the Performance Audit over High-Cost Universal Broadband (HUBB) Portal Data

Audit Report Number: 24-AUD-04-02

September 30, 2025

FCC OFFICE OF INSPECTOR GENERAL HIGHLIGHTS

Performance Audit over High Cost Universal Broadband (HUBB) Portal Data

HUBB Background

The HUBB Portal was established in 2017 to support the modernized funds of the Universal Service Fund High Cost (HC) program/Connect America Fund (CAF). Modernized funds includes several funds that provide support for broadband deployment in rural and high cost areas. For the Fiscal Year (FY) ended September 30, 2024, FCC had \$3.6 billion in outlays related to modernized funds. Carriers that receive CAF support to deploy broadband are required to submit and certify their data through the HUBB Portal and may face withholding of support for failure to meet deployment milestones and performance measures standards.

FCC OIG's Approach

FCC OIG contracted with Kearney & Company, P.C. (Kearney) to perform the HUBB Portal audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives.

Kearney is wholly responsible for the attached audit report and the conclusions expressed therein. The OIG monitored Kearney's performance throughout the audit and reviewed the report and related documentation. Our review did not disclose any instances where Kearney did not comply in all material respects with GAGAS.

Objective

The objective of Kearney's performance audit was to determine the appropriateness of USAC's verifications reviews and performance measures testing, as completed by December 31, 2023.

Results in Brief

While Kearney found several areas where USAC's verification reviews were appropriate and in compliance with applicable internal policies and requirements, the audit had two findings. First, Kearney identified opportunities for FCC and USAC to strengthen the effectiveness of controls

for its performance measures testing (***Finding #1***), some of which pertain to unvalidated self-certified criteria by carriers. Condition 4 of this finding identified \$7.8 million of questioned cost in payments made to 21 different carriers who the audit determined did not perform sufficient testing to confirm that they met the minimum speed requirements. A questioned cost is a finding that, at the time of the audit, is not supported by adequate documentation.

Kearney also determined that FCC and USAC need to strengthen the effectiveness of verification reviews by modifying testing procedures to enhance carrier accountability (***Finding #2***).

Recommendations

The audit report includes two findings and offers nine recommendations, which if implemented, will help improve FCC's and USAC's monitoring procedures of carriers who participate in the CAF program and strengthen controls over carriers' compliance with program rules. Further, these efforts would enhance broadband service to rural and remote communities who are the intended beneficiaries of the High-Cost program.

Management's Response

While management did not concur with two findings and seven of the nine recommendations, FCC informed us that as a result of this audit, the Commission is reviewing potential program guidance to improve performance testing program oversight, addressing some of the areas discussed, including cross-talk, deferred tests, and test duration. Also, USAC has implemented the Performance Measures Module (PMM) Special Compliance Review group to analyze subscriber replacements at the end of every quarter to identify outliers.

Public Release

The full audit report is available on the FCC OIG website and Oversight.gov.

September 30, 2025

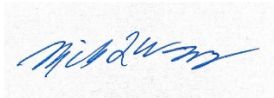
Fara Damelin, Inspector General
Federal Communications Commission
45 L Street NE
Washington D.C. 20554

Dear Ms. Damelin:

Kearney & Company, P.C. (Kearney) has conducted an audit of the Federal Communications Commission's (FCC) High-Cost Universal Broadband (HUBB) portal data. This performance audit, conducted under Contract No. GS00F031DA, was designed to meet the objectives identified in the "Executive Summary" section of this draft report.

Kearney conducted this performance audit in accordance with the standards applicable to performance audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States. The purpose of this draft report is to communicate the results of Kearney's performance audit and our related findings and recommendations.

Kearney appreciates the cooperation provided by FCC's personnel during the audit.



Michael Wager, CPA

TABLE OF CONTENTS

	<u>Page #</u>
Executive Summary	1
Opportunities for Improvement	2
Performance Highlights.....	2
Background	4
Audit Results	7
Conclusion	7
Findings.....	8
Appendix A – Scope and Methodology of the Audit.....	15
Appendix B – Management’s Views on Conclusions and Findings	19
Appendix C – Kearney & Company, P.C.’s (Kearney) Evaluation of Management’s Comments	23
Appendix D – Abbreviations and Acronyms.....	26

Executive Summary

As requested by the Office of Inspector General (OIG), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the Federal Communications Commission’s (FCC or Commission) Universal Service Fund (USF) High Cost Universal Broadband (HUBB) portal data. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Kearney conducted the performance audit from April 2024 through December 2024. Our scope period included the verification reviews and performance measures testing completed by the Universal Service Administrative Company’s (USAC) High-Cost Verification Team (Verification Team) by December 31, 2023. The objective of this performance audit was to determine the appropriateness of USAC’s verification reviews, which began in 2018, and performance measures testing, which began pre-testing in 2020. The audit objectives and results are outlined in *Table 1*.

Table 1: Summary of the Audit Objectives and Results

	Objective	Results
1	The structure at the reported location is eligible for High -Cost Modernized Fund (HCMF) support (Verification Reviews)	Based on audit procedures performed, Kearney concludes that FCC and USAC met this objective.
2	The reported service address accurately corresponds with the reported latitude and longitude coordinates (Verification Reviews)	Based on audit procedures performed, Kearney concludes that FCC and USAC met this objective.
3	The upload and down speeds available are at or above the speeds the carrier must deliver (Verification Reviews)	Based on audit procedures performed, Kearney concludes that FCC and USAC could use improvements to meet this objective. (<i>Finding #2</i>)
4	The carrier deployed service at the required speeds in time to meet the deployment milestone (Verification Reviews)	Based on audit procedures performed, Kearney concludes that FCC and USAC could use improvements to meet this objective. (<i>Finding #2</i>)
5	The actual number of units or dwellings at the location accurately ties back to the reported number of units or dwellings for the location record (Verification Reviews)	Based on audit procedures performed, Kearney concludes that FCC and USAC met this objective.
6	Compliance with FCC’s Performance Measures Testing Framework (Performance Measures Testing)	Based on audit procedures performed, Kearney concludes that FCC and USAC could use improvements to meet this objective. (<i>Finding #1</i>)

To perform the audit, Kearney conducted walkthroughs with FCC and USAC, reviewed relevant public notices issued by FCC, reviewed legal authority (e.g., Code of Federal Regulations [CFR]), and reviewed documentation provided to USAC by telecommunications carriers. We selected samples of verification reviews for independent testing and selected a sample of Performance Measures Module (PMM) outputs for performance measures testing.

Kearney found several areas where USAC’s verification reviews were appropriate and in compliance with applicable internal policies and requirements. We also identified certain

internal control gaps and opportunities to enhance the verification reviews. Kearney issued two findings and offered nine recommendations to strengthen HUBB verification reviews moving forward.

Opportunities for Improvement

Kearney identified opportunities for FCC and USAC to strengthen the effectiveness of controls for its performance measures testing (***Finding #1***), some of which pertain to unvalidated self-certified criteria by carriers. We observed the following:

- Replacement samples submitted by carriers are not validated by USAC, except for the “other” category, which still does not require supporting documentation
- Carrier-uploaded speed and latency data are accepted without verification by USAC, relying solely on carrier certification
- USAC did not include deferred tests in its calculations to determine if carriers complied with the required 95% threshold for latency
- USAC improperly assessed carriers as “passed” despite failing to meet minimum duration standards.

Kearney also determined that FCC and USAC need to strengthen the effectiveness of verification reviews by modifying testing procedures to enhance carrier accountability (***Finding #2***). We observed the following:

- The Verification Team did not perform adequate testing procedures to ensure that the deployment date entered by the carrier was accurate
- The Verification Team did not perform adequate procedures to assess the accuracy of speed offerings provided by the carriers.

Performance Highlights

Kearney identified efficiencies with the Verification Team’s review of deployment obligations. In several areas, we noted no exceptions or deficiencies indicating that the controls surrounding the processes were operating effectively, as designed. These results highlight areas of adherence to internal policies and consistent execution of verification activities. Kearney observed the following:

- The Verification Team appropriately performed pre-testing procedures to gain an understanding of the carrier’s internal control environment
- The Verification Team correctly extrapolated the results of deployment obligation testing that it performed
- The project closure reports issued for each annual deployment obligation were complete and accurate, including results of all locations that were tested in a given year
- A sampling plan was created for each required deployment obligation, the sampling methodology was reasonable for the characteristics of the population, and the sampling plan was appropriately documented

- The Verification Team requested proper approval and concurrence from FCC prior to notifying the carrier of non-compliance tier adjustments
- Procedures for Letter of Credit (LOC) reductions when carriers requested ad hoc or “On Demand” deployment obligation reviews were performed in adherence to internal policies.

Please see *Appendix A* of this report for the full scope and methodology of the audit.

Background

HCMFs

In October 2011, FCC adopted the *USF/ICC Transformation Order* to, among other things, help ensure that robust, affordable voice and broadband service, both fixed and mobile, are available to Americans in rural, insular, and High-Cost (HC) areas of the nation. This order reformed and modernized the universal service and intercarrier support systems.

The HCMFs include several funds that provide support for broadband deployment in rural and HC areas. For the Fiscal Year (FY) ended September 30, 2024, FCC had \$3.6 billion in outlays related to the HCMF. These funds, administered by USAC, have been modernized to prioritize efficient, performance-based funding rather than traditional subsidies. Funding is directed to areas lacking adequate broadband instead of subsidizing all rural carriers. To promote competition and cost efficiency, FCC requires that carriers compete for funding through reverse auctions. Reverse auctions winners are selected based on their submitted bid for a certain geographic section of the United States. Each HCMF has performance-based requirements that specify the minimum speed, latency, and deployment milestones necessary to retain funding. To monitor compliance with HCMF requirements, USAC utilizes the HUBB portal data and PMM system.

Verification Reviews

FCC directed USAC to monitor HCMF support recipients' (i.e., carriers') compliance with program public interest obligations, as well as perform in-depth verification reviews of carriers' certified location data in the HUBB portal to assess compliance with program rules. A carrier who is unable to demonstrate compliance with a deployment milestone by a required deadline and/or as a result of a verification review is deemed to be in default on that milestone. Based on the degree of non-compliance, the carrier may be subject to reductions in support and additional reporting obligations. Progress on performing these verifications is tracked throughout each program and compliance documentation is retained for a period of 10 years following the final support disbursements.

USAC and FCC developed the HUBB portal in early 2017 to receive location information from HCMF support recipients with defined deployment obligations. Carriers must report geographic information of qualifying locations where they have deployed services in each study area for which they receive funding.

The creation and implementation of the HUBB portal was in anticipation of at least 4.5 million individual location records from over 1,000 recipients over the course of 10+ years (FCC-DA-16-1363). For administrative efficiency and in light of the volume of records anticipated, it was important that the HUBB portal be highly automated, with manual processing and analysis of records kept to a minimum.

Carriers must complete the following filing and certification requirements annually to receive funding:

- March 1: Certify location information for qualifying broadband deployments that took place in the previous Calendar Year (CY) in the HUBB portal. If found to be non-compliant with a required milestone, then the carrier must certify location information quarterly until compliant
- July 1: Certify data by filing FCC Form 481 (Carrier Data Annual Collection Form)
- October 1: Certify that carrier has utilized HC funding correctly per program rules. Most carriers are certified by their states, but some carriers are not subject to state jurisdiction; as such, the carrier must self-certify.

All carriers with a required milestone due in a particular year are subject to the required verification reviews. Carriers in programs that require an LOC have the option to certify a milestone prior to the program-designated deployment milestone date and request an on-demand verification from the Verification Team. If the Verification Team concludes that the carrier met the deployment milestone requirements, then the LOC may be reduced or eliminated. Additionally, FCC may instruct USAC to conduct a verification review for certain carriers on an ad hoc basis under the Rural Broadband Accountability Plan (RBAP).

For verification reviews, USAC first selects a sample of locations from various Study Area Codes (SAC), then performs several tests to determine any non-compliant carriers. Each year, USAC tests multiple SACs from each carrier, with a goal of testing all SACs by the end of the 100% milestone. Once a non-compliance level is determined for either PMM or Verification Reviews, USAC then notifies the carrier of any proposed funding adjustments. Once USAC receives concurrence from FCC, the carrier is notified of the non-compliance measures necessary based on the compliance gap. There are four non-compliance tiers specific to verification reviews, each of which requires different non-compliance measures to be taken based on the carrier's compliance gap. The non-compliance tiers for verification reviews are shown in **Table 2** below:

Table 2: Verification Reviews - Non-Compliance Tiers

Non Compliance Tier	Compliance Gap	Non Compliance Measure
Level 1	5% to less than 15%	Require quarterly reporting
Level 2	15% to less than 25%	Require quarterly reporting and withhold 15% of monthly support
Level 3	25% to less than 50%	Require quarterly reporting and withhold 25% of monthly support
Level 4	50% or more	Require quarterly reporting and withhold 50% of monthly support; after six months, withhold 100% of monthly support and recover percent of support equal to compliance gap + 10% of support disbursed to date.

PMM

The PMM system relies on the HUBB portal to obtain carriers' submitted deployments in relation to their respective high-cost programs. Once a carrier has uploaded and certified its new deployment information within the HUBB, the PMM system pulls a sample of between five and 50 subscribers for whom carriers must test speed (i.e., download and upload) and latency for the next two years. These tests are used to determine carriers' compliance with the HC program and that customers are obtaining the appropriate services.

Download and upload requirements are dependent on the speed tier the carrier is assigned to within the corresponding program. To comply with the speed standard, a provider's certified test results, for each state and service tier, must show that 80% of the upload measurements are at or above 80% of the required upload speed, and 80% of the download measurements are at or above 80% of the required download speed.

To comply with the latency standard, a provider's certified test results must show, for each state, that 95% of more of all tests of network round trip latency are at or below 100 milliseconds.

The carrier uploads the test data to the PMM and an approved user for the carrier certifies that the information is complete and accurate. Validations are performed over the carrier's submission to determine if the data uploaded is formatted correctly and completely. Calculations are then run on these tests to determine a carrier's overall compliance with the requirements.

Should the information provided to either HUBB or PMM fail to meet the requirements, then program support for carriers is reduced based on the tier of non-compliance. There are four non-compliance tiers and, once a carrier has been moved to one of these tiers, reporting requirements increase in frequency and HCMF support may be withheld until either the carrier moves back into compliance, or they are removed from the program and are required to return any funds distributed. HCMF support is restored, upon FCC approval, once the carrier remediates the non-compliance. The non-compliance tiers for PMM are shown below in **Table 3**.

Table 3: PMM Non-Compliance Tiers

Non Compliance Tier	Percent of Requirements Met	Non Compliance Measure
Level 1	Greater than 85% but less than 100%	Require quarterly reporting and withhold 5% of monthly support
Level 2	Between 70% to 85%	Require quarterly reporting and withhold 10% of monthly support
Level 3	Between 55% and 70%	Require quarterly reporting and withhold 15% of monthly support
Level 4	Less than 55%	Require quarterly reporting and withhold 25% of monthly support

USAC's Audit Assurance Division (AAD) Team

The AAD team performs sample-based audits of the HCMF programs. These audits do not begin until all carriers have completed all their deployment milestones for a given program (e.g.,

Connect America Fund Phase II Model [CAF II]). In contrast, the Verification Team reviews are performed on interim milestones. The AAD team works with an outside statistician to select the sample, which is then approved by FCC's Office of Managing Director (OMD) and Wireline Competition Bureau (WCB). The audits include site visits to confirm deployments claimed by the carriers. The AAD team also tests speed and latency data. As of CY 2024, only CAF II and Rural Broadband Experiments (RBE) have been subject to AAD audits.

Audit Results

Kearney conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Kearney believes that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

Kearney evaluated the evidence obtained through the course of our performance audit of the HUBB portal data and supporting documentation.

Based on Kearney's test work and the evidence reviewed, we concluded that controls surrounding the PMM are not designed adequately and that procedures for verification reviews could be improved.

Within the PMM process, Kearney issued one finding and offered six recommendations, the details of which can be found at ***Finding #1***. Within the Verification Review procedures, Kearney issued one finding and offered three recommendations, the details of which can be found at ***Finding #2***. If implemented, these recommendations will aid FCC and USAC in strengthening oversight of the HC program by designing more effective controls, improving the reliability of its verification review and performance measures testing procedures. As a result, these efforts would improve carrier compliance with the program rules and enhance broadband service to rural and remote communities who are the intended beneficiaries of the HC program.

Findings**Finding #1 – Controls surrounding the PMM are not sufficiently designed to accurately determine carriers’ compliance with HUBB requirements**

Conditions: There are four control deficiencies identified within the PMM process:

- 1) FCC does not require replacement samples to include evidence from the carrier to validate the reason for replacement. The reason selected by the carrier via a dropdown list is not reviewed or verified by USAC and is automatically approved, with the exception of the “other” category. The “other” category is reviewed for reasonableness by USAC; however, the carrier is not required to provide any documentation to support its rationale. Management identified that roughly 3% of all replacement samples fall under the “other” category
- 2) The upload, download, and latency data submitted by carriers within the PMM system are not validated by USAC for accuracy. FCC and USAC place sole reliance, outside of future AAD audits, on the carriers’ self-certifications to determine the validity of the speed and latency data
- 3) During USAC’s compliance determination of the carriers’ PMM data, tests that were deferred due to network congestion (i.e., cross-talk) were improperly excluded in determining if the carrier complied with the required 95% threshold for latency
- 4) From a population of 21,685 submissions, 73 samples were selected over the certified carrier data uploaded to PMM between CY 2021 and CY 2023. During testing, it was determined that USAC improperly assessed 21 of the 73 carriers as “passed”, with speed durations that did not meet the minimum standards set forth in the FCC order. The 21 carriers had either download, upload, or download and upload submissions that were improperly assessed. For download submissions, 20 carriers had 3,220 tests, and for upload submissions, 15 carriers had 8,866 tests that were below the minimum duration of 10 seconds.

Causes: Sufficient review and oversight for replacement requests do not currently exist. When Kearney inquired about the lack of review and oversight over this process, USAC stated it was due to a lack of resources and that no specification for such a review is required in the original FCC orders. Furthermore, concerns were raised by FCC over the amount of burden that would be placed on carriers needing to provide documentation to evidence these subscriber changes. (Condition 1)

FCC solely relies on the self-certification, outside the AAD audits at the end of the program, of the carriers to validate speed and latency data uploaded to PMM. Further, concerns exist over the amount of burden that would be placed on carriers by providing USAC documentation to substantiate the data. (Condition 2)

USAC did not properly implement the requirements as set forth by FCC orders 19-104 and 18-710 in its determination of whether a carrier has provided sufficient latency data to be in full compliance due to deferments. USAC also did not properly implement the requirements set

forth by the FCC orders when setting up its PMM system. Specifically, the PMM system did not consider the length of time the speed test was run as a carrier submitted data point to determine if a test should pass or fail. (Condition 3 and 4)

FCC did not adequately perform a cost-benefit analysis when determining the appropriate level of effort to monitor the HCMFs. The HCMFs expend billions of dollars per year to carriers. However, the monitoring of these disbursements does not include sufficient testing to gain comfort over the validity of the data provided to USAC, the performance of the carriers, or whether subscribers are obtaining the appropriate broadband services. (Conditions 1, 2, 3, and 4)

Criteria: FCC 19-104, “FCC Takes Steps to Enforce Quality Standards for Rural Broadband,” Paragraph 12, reads:

“Under the Performance Measures Order, all high-cost support recipients serving fixed locations must perform speed and latency tests from the customer premises of an active subscriber to a remote test server located at or reached by passing through an FCC-designated IXP.”

FCC 19-104, “FCC Takes Steps to Enforce Quality Standards for Rural Broadband,” Appendix C, Paragraph 12, reads:

“We [the FCC] also now permit greater flexibility for carriers to conduct speed tests within an hour. In the Order on Reconsideration, we clarify that carriers may not necessarily start testing speed at the very beginning of each test hour. Instead, a carrier must simply report a successful speed test for each hour, except a carrier that begins attempting a speed test within the first 15 minutes of an hour and checks for cross-talk in one-minute intervals (using the cross-talk thresholds of 64 Kbps for download and 32 Kbps for upload) may record that no test was successful during that test hour.”(Condition 2 and 3)

FCC 19-104, “FCC Takes Steps to Enforce Quality Standards for Rural Broadband,” Paragraph 56, reads:

“To achieve full compliance with the latency and speed standards, the Order required that 95% of latency measurements during testing windows fall below 100 ms round-trip time, and that 80% of speed measurements be at 80% of the required network speed.” (Condition 3)

FCC 19-104, “FCC Takes Steps to Enforce Quality Standards for Rural Broadband,” Paragraph 27, reads:

“Recognizing that cross-talk could negatively affect the test results, the Bureaus provided flexibility for carriers to postpone a latency test in the event that the consumer load exceeded 64 Kbps downstream and to reevaluate the consumer load before attempting the next test.” (Condition 3)

FCC 18-710, “WCB, WTB, and OET adopt a uniform framework for measuring the speed and latency performance for recipients of CAF high-cost universal service support...” Paragraph 18, reads:

“Accordingly, a speed test is a single measurement of download or upload speed of 10 to 15 seconds duration between a specific consumer location and a specific remote server location.” (Condition 4)

Effect: Subscribers may be receiving a lower quality of internet service than is permitted by the modernized program requirements. (Conditions 1, 2, 3, and 4)

Carriers can request a sample change with no oversight and they may exclude samples that are not favorable. This internal control gap does not comply with program requirements regarding random selection (FCC-DA-18-710A1, para.40), which reads: “providers cannot pick and choose amongst subscribers so that only those subscribers likely to have the best performance (e.g., those closest to a central office) are tested.” This reduces the efficacy of the PMM testing process. Lack of oversight also carries over to the data submitted to the PMM system. The data submitted by the carriers is not being verified by USAC for accuracy. This may lead to data that was modified to reflect a more favorable outcome to ensure a carrier does not lose support. (Conditions 1 and 2)

FCC does not obtain sufficient data to assess a carrier’s compliance properly because the reviewers excluded cross-talk tests. Compliance may inappropriately be determined based on the smaller number of datasets. Specifically, when determining compliance by including deferred tests from a population of 21,928 carrier quarterly and annual submissions, Kearney noted that there were 14,173 instances for latency of the compliance standards not being met while USAC asserted compliance was being met. This may lead to a situation where the subscriber’s network is determined to be in compliance with the program requirements but is actually underperforming with the standards. (Condition 3)

Speed tests may be inflated due to test duration not lasting the required minimum of 10 seconds. Carriers submitting results based on speed tests, lasting as little as fractions of a second, may be inaccurately determined to be in compliance with FCC rules. We requested that management provide the total disbursements made to the 21 carriers implicated by our finding during the years 2021 through 2023. Based on the data provided, and our own analysis, we determined \$7.8 million funds could have been withheld from carriers, which we identify as questioned cost. Our questioned cost calculation has several assumptions including the total disbursements are limited to our scope period, the non-compliance rate remained consistent, and the disbursement data provided by management is accurate. Additionally, according to program rules carriers would have been given the opportunity to cure this non-compliance within one year, in which case they could recoup the funds withheld. (Condition 4)

Kearney recommends that:

- 1) FCC should establish a review process, which includes analytics, over replacement samples that identifies and adds additional scrutiny to carriers who request a significant amount of replacement samples. This should include defining what levels of replacements FCC considers significant. (Condition 1)
- 2) FCC and USAC should implement a process to verify or validate the speed and latency data submitted by the carrier within the PMM system. This can include sampling and/or analytics and targeted audits over carrier submissions. (Condition 2)
- 3) FCC should ensure that USAC complies with the requirements of the PMM order and/or issue an amendment to the current orders clarifying how deferred latency tests should be addressed when they make up a significant portion of the sample testing results. This should include defining the maximum tests allowed to be deferred when determining compliance. The amendment should also include other procedures performed by the carrier or USAC to determine that the carrier's network is compliant with the conditions set forth within the applicable program. (Condition 3)
- 4) FCC should enforce the minimum speed test duration to ensure the results obtained are accurate and representative of the carriers' network and in compliance with minimum speed requirements. (Condition 4)
- 5) FCC should direct USAC to develop and implement procedures to determine if the issues noted in the condition warrant adjustments to the carrier's withholdings and/or payments previously made. Further, USAC should determine if any of the payments made to these carriers would be considered an improper payment requiring recovery. (Condition 3 and 4)
- 6) FCC should improve and continue to perform cost benefit analyses to determine a proper level of effort to monitor the HCMF; specifically, identifying higher-risk areas and implementing additional sampling, analytics, and other methods to ensure the carrier compliance status for the enrolled program is reasonably supported. (Condition 1, 2, 3, and 4)

Management's Response: See *Appendix B*.

Finding #2 – USAC Verification Reviews Procedures Did Not Include Sufficient Verification of Deployment Dates and Internet Speed

Conditions: The testing performed by the Verification Team did not verify deployment dates and internet speed requirements, as outlined in the following conditions.

The Verification Team did not determine if the deployment date entered by the carrier was reflective of when broadband service was deployed for HCMF support across Program Years (PY) 2017 to 2022. The deployment date should be used by USAC and FCC to determine if program payments made to the carriers in prior years were supported and in compliance with program rules. The deployment dates directly impact how USAC and FCC determine whether a carrier is meeting its deployment obligation requirements and is used for mapping broadband availability.

- 1) Instead, the Verification Team reviewed deployment date evidence provided by the carriers to confirm that the deployment had occurred and was active by the end of the PY tested. However, the Verification Team did not verify that the service was provided by the deployment date reported in the HUBB. Specifically, for 107 of 288 verification review samples tested, the carrier certified that the location had been deployed in a prior year, but the Verification Team did not validate the accuracy of the specific deployment date in the certification
- 2) For 54 of 288 overall verification review samples, the Verification Team did not perform adequate procedures to assess the internet speed offerings for carriers. For example, the Verification Team gave credit for deployments where the carrier provided evidence of speed offerings of “up to” 10 megabits per second downstream and one megabit per second upstream (10/1Mbps), which is the speed requirement for CAF II. The Verification Team did not perform procedures to determine the accuracy of carrier-provided evidence for internet speed offerings where they offered the capability to reach “up to” a certain speed. Moreover, “up to” speeds represent a maximum possible speed without a guarantee of the actual speed. Therefore, “up to” speeds do not give assurance that the carrier could meet the minimum speed requirements for the corresponding HCMF. FCC guidance states that carriers must meet minimum speeds rather than “up to” speeds.

Causes: USAC lacked procedures to require the Verification Team to test that the deployment dates entered in HUBB by the carriers reflected the date that broadband service was deployed. In addition, USAC did not consistently perform procedures, such as consulting with the USAC Engineering Department to determine if, based on the carrier’s installed equipment, certain locations could reach speeds that were offered via the carrier’s broadband speed package offerings. USAC interpreted “up to” speeds as an indication that the location could receive the highest speed listed as “up to.”

Criteria: 507 - *HC Verification Procedures*: “1.1.2 Testing Phase,” reads:

“The Team analyzes carrier documentation to verify that the carrier met speed and

deployment date requirements for the milestone. For each location in the sample, the Team checks that the carrier (1) offered broadband consistent with at least the reported speed tier and (2) had deployed the service prior to the relevant deployment deadline. If a carrier fails to provide documentation sufficient to demonstrate that it offered the required speed by the deadline, the Verification Team does not credit the location toward the carrier's deployment milestone obligation."

507 - HC Verification Procedures: "C.3 Supporting Documentation Review - Speed, Date, & Unit Count Tests," reads:

"Analyst enters the download speed and upload speed in megabits per second (Mbps) that is shown on the supporting documentation. If both speeds are at or above program requirements, Analyst selects "PASS" in the "Result" section. If not, Analyst selects "FAIL". If needed, Analyst enters in any recommendation or notes. If the provided documentation isn't sufficient, Analyst contacts the carrier and requests alternative documentation be supplied."

FCC 11-161 Paragraph 92 reads:

"The speed of consumers' broadband connections affects their ability to access and utilize Internet applications and content. To ensure that consumers are getting the full benefit of broadband, we require funding recipients to provide broadband that meets performance metrics for actual speeds, measured as described below,[] rather than "advertised" or "up to" metrics."

Effects: There is a risk that the carrier may have received an improper payment of HCMF support if the carrier's compliance level was incorrectly determined because the Verification Team did not verify carriers' certified deployment dates or ensure speed tests meet the minimum requirements.

While FCC Orders regarding HUBB Verification Reviews may allow carriers to recover support withheld by USAC in certain circumstances, there are limits on these provisions. For example, when non-compliance is not corrected within one year, USAC may permanently withhold funding. Therefore, it is possible that identifying an inaccurate deployment date in a prior year could have allowed USAC to recover some of the improper payments. In addition, reporting incorrect carrier compliance status is misleading and can cause the public and Congress to mistrust USAC and FCC's ability to effectively and accurately administer HC programs.

Speeds advertised by carriers as "up to" indicate that the consumer's speed may be lower than the actual network speed; specifically, the consumer's speed may be lower than what is required by program rules. Consumers relying on speeds advertised as "up to" may be forced to invest in additional equipment or upgrade to more expensive packages to achieve their expected network performance.

Kearney recommends that FCC:

- 7) Direct USAC to modify testing procedures for verification reviews to ensure that the deployment date tested by the Verification Team is reflective of the date entered and certified in HUBB by the carrier and supported by appropriate evidence.
- 8) Direct USAC to develop and implement procedures that identify possible erroneous deployment dates and document whether a change to past-compliance statuses is warranted. Further, USAC should determine if any of the payments made to these carriers would be considered an improper payment.
- 9) Direct USAC to modify testing procedures for verification reviews to ensure that carriers are offering the speeds per the corresponding program requirements for minimum speeds. Examples of testing procedures include reviewing stronger evidence, such as an engineer certification or actual network speed testing results performed by a third party or through collaboration with USAC's engineers.

Management's Response: See *Appendix B*.

APPENDIX A – SCOPE AND METHODOLOGY OF THE AUDIT

Scope and Limitations

The scope period of the High Cost Universal Broadband (HUBB) portal data performance audit addressed broadband deployment data submitted to the HUBB portal relevant to completed verification reviews and performance measures testing completed by December 31, 2023.

Kearney & Company, P.C. (referred to as “Kearney,” “we,” and “our” in this report) executed planning, testing, and reporting over the portal data and related internal controls between April 2024 and December 2024. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives; accordingly, we did not experience any scope limitations throughout the course of the audit.

Methodology and Work Performed

Kearney’s technical approach involved gaining an understanding of HUBB and the various relevant programs set forth by the Federal Communications Commission (FCC). We designed the audit to obtain insight into FCC’s current processes and procedures relevant to the HUBB portal data and we performed walkthroughs of processes and procedures for both the Performance Measures Model (PMM) and Verification Reviews, as well as testing procedures to understand how the HUBB processes support the audit objectives. The methodology of the performance audit included completing the following procedures:

- Obtained an understanding of any relevant laws and regulations issued by FCC
- Performed virtual walkthroughs and interviews with applicable FCC and Universal Service Administrative Company (USAC) personnel to gain an understanding of the processes for managing HUBB portal data
- Reviewed documentation related to Performance Measurement and Verification Reviews to determine reasonableness towards accomplishing the program objectives.

Verification Reviews

Kearney performed testing to evaluate whether USAC had proper procedures in place for Verification Reviews of deployment milestone requirements. We designed these testing procedures to obtain insight into and validate USAC’s current processes and procedures for HUBB portal data in line with the performance audit objectives. Specifically, Kearney performed the following:

- Kearney obtained a sample of verification reviews performed for each Program Year (PY) and performed procedures to ensure that USAC appropriately performed those reviews. We analyzed the selected sample by reviewing supporting documentation provided by USAC as it relates to location eligibility, geolocation accuracy, required

speeds, number of units at a given location, and if service was deployed to the sampled location by the corresponding milestone deadline

- Kearney searched FCC and USAC High-Cost Modernized Funds' (HCMF) websites to identify relevant public notices, rules, and orders issued during the audit period. We extracted information from these public notices and considered this information towards the audit objectives
- Kearney obtained the population data from the HUBB system, as well as the respective sample plans and the milestone reports for the period(s) under review. We then performed a preliminary comparison of the data sets to identify any obvious discrepancies or mismatches, ensuring the number of records for the sampling population and the sample are consistent among the three sources of information
- Kearney obtained a sample of the final project closure reports for each annual milestone verification review. We compared the final project reports for each PY to related lead sheets, reconciliations of HUBB populations, and extrapolation results to determine the reasonableness of the reports
- Kearney assessed the sampling plans for each PY to determine the reasonableness of the sample methodology. We reviewed communication between USAC and FCC regarding sampling plans to ensure that they were approved by FCC. Kearney evaluated the methods and assumptions used to select, test, and evaluate each sample, as well as reviewed the underlying calculation and support for the error rates
- Kearney obtained a population of all certified locations for each PY. Using analytics, we searched by Study Area Code (SAC) for any duplicate records. Kearney utilized the results of the analytic to understand the inherent risks associated with address validations in the HUBB.

PMM

Kearney reperformed PMM tests to determine compliance. We validated various summary statistics and determinations, such as the total number of subscribers and the appropriateness of speed, upload, and latency tests in accordance with FCC rules based on the data submitted to USAC. Specifically, Kearney performed the following:

- Searched FCC and USAC HCMFs' websites to identify relevant public notices, rules, and orders issued during the audit period. We extracted information from these public notices and considered this information as it relates to the audit objectives
- Assessed the reasonableness of the PMM processes to determine if appropriate procedures were in place to comply with the Performance Measures Testing Framework. We reviewed public notices and held walkthroughs, as related to the PMM processes
- Selected a sample from the population of PMM reviews and obtained the underlying data submitted by carriers. Kearney reperformed each attribute to determine the accuracy of the PMM system and overall compliance with the orders published by FCC
- Obtained the population of all PMM results for testing years between inception (2021) and current (2023). Kearney performed analytics over each summary listing for each carrier. We also reperformed the compliance test for download, upload, and latency tests performed by USAC to determine an overall compliance determination.

Work Related to Internal Controls

FCC is responsible for the design and implementation of internal controls related to the HUBB Portal. During the audit, Kearney considered several factors, including the subject matter of the project, to determine whether internal controls were significant for this audit. We then considered the components of internal control in the *Standards for Internal Control in the Federal Government* (Green Book) issued by the Government Accountability Office (GAO) and the significance of the audit objectives. Based on this consideration, we identified the internal controls that were significant to the audit objectives. Considering internal controls in the context of a comprehensive internal control framework can help auditors determine whether underlying internal control deficiencies exist.

Kearney conducted meetings throughout the audit to identify and confirm the controls in place for the purpose of addressing audit risks. We obtained an understanding of internal controls, including information systems controls relevant to the audit objective through completing walkthroughs and observations of internal controls. Kearney performed procedures to assess the design, implementation, and operating effectiveness of key internal controls. Specifically, we performed the following procedures:

Verification Reviews

- Kearney obtained a sample of extrapolation results from each PY. We recalculated the estimated failure rates, margins, or errors, as well as applied failure rates and compliance gap percentages to ensure that the extrapolation results were appropriate
- Kearney obtained the annual milestone report for each PY and compiled a sample of non-compliant carriers. We reviewed communication to ensure that FCC agreed with USAC determinations regarding noncompliance levels, penalties, and restored support
- Kearney obtained a list of carriers' certifications during optional milestone years for On-Demand verifications. A sample was selected for additional testing procedures and Kearney performed testing to verify the proper handling of Letter of Credit (LOC) Reductions, ensuring that the related Closure Letter supports the respective LOC reductions, as applicable.

Information Systems

- Kearney obtained a listing of all users with administrative privileges in the HUBB and PMM systems via direct observation
- Kearney obtained the password settings for the HUBB and PMM authentication
- Kearney obtained a listing of all users with administrative privileges in the HUBB and PMM systems via direct observation to determine that controls over user authorization are operating effectively
- Kearney obtained evidence of a completed review that USAC performed over administrative users
- Kearney obtained a listing of separated users and compared that listing to the listing of administrative users with access to the HUBB and PMM

- Kearney inquired of management and inspected documentation to support that USAC logs and monitors activities of administrative users in the HUBB and PMM systems
- Kearney selected a sample from the population of changes implemented to the HUBB and PMM systems
- Kearney conducted observations with USAC personnel to validate the data exported from the HUBB and used by the High-Cost Verification Team (Verification Team). We utilized test scenarios processed in the HUBB that Kearney observed during a walkthrough to confirm the Information Technology (IT) business process controls related to the HUBB data validity were in place
- Kearney conducted observations with USAC personnel to validate the adequacy of the PMM sample selection used by the Verification Team. We utilized test scenarios processed in the PMM that Kearney observed during a walkthrough to assess IT business process controls related to the PMM sample selection
- Kearney conducted observations with USAC personnel to validate the data exported from the PMM and used by the Verification Team. We utilized test scenarios processed in the PMM that Kearney observed during a walkthrough to confirm the IT business process controls related to the PMM data validity were in place.

Other than the issues described in the ***Findings*** section, Kearney did not identify significant deficiencies in the operational controls for the HUBB portal data or the PMM system.

APPENDIX B – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS**Federal Communications Commission
Office of the Managing Director
Washington, D.C. 20554**

To: Fara Damelin, Inspector General, FCC

From: Mark Stephens, Managing Director, FCC
Joseph Calascione, Chief, Wireline Competition Bureau, FCC

Date: May 27, 2025

Subject: Management’s Response to Independent Auditor’s Report on the Performance Audit over High Cost Universal Broadband (HUBB) Portal Data (Report No. 24-AUD-0402), April 29, 2025

Regarding the Draft Performance Audit Report, the Federal Communications Commission (Commission or FCC) provides the following responses below.

FINDING 1: Controls surrounding the PMM [Performance Measures Module] are not sufficiently designed to accurately determine carriers’ compliance with HUBB requirements

When, under delegated authority, the Wireline Competition Bureau, Wireless Telecommunications Bureau, and Office of Engineering and Technology, established the network testing framework based on carrier self-testing, there were two fundamental safeguards to ensure that carriers actually deliver the service they say they do: 1) requiring providers to submit and certify testing data; and 2) verifying provider compliance and auditing performance testing results.¹ As the report’s recommendations amount to refining existing testing requirements and improving auditing and verifications, the auditors effectively validate this overall approach.

We disagree that controls in place at the time of the audit were not sufficiently designed to accurately determine carriers’ compliance with HUBB requirements. We collect significant amounts of data to measure the speed and latency performance of supported networks, and the

¹ See *Connect America Fund*, WC Docket No. 10-90, Order, 33 FCC Rcd 6509, 6514, para. 11 (WCB WTB OET 2018) (*Performance Measures Order*).

report does not sufficiently account for that data. For instance, recommendations 1 and 2, which recommend the Commission “establish” or “implement” processes, do not recognize that we have already been analyzing the data, both subscriber and performance data, to look for anomalies and patterns. For subscriber data, the Universal Service Administrative Company (USAC) scrutinizes carriers who request a relatively high amount of replacements. For speed and latency data, this includes statistical analysis of submitted PMM data to look for: (1) repeated/copied data; (2) variation analysis (standard deviation) when test results are too perfect because network performance behaviors are inherently variable; (3) test times are too predictable across periods; (4) sudden improvements in performance; (5) Benford statistical analysis of reported results especially at 3rd, 4th and 5th digit position; (6) standard deviation analysis of test results; (7) test status analysis for variation and distribution; and (8) test at the individual test subscriber level.

Nonetheless, modifying or clarifying our network testing rules and improving audits/verifications through cost benefit analyses, analytics, and other methods, as the auditors suggest in Recommendation 6, could result in better assurances that Americans get what they pay for with universal service dollars.

Here, we address certain statements the auditors make that are incorrect—namely ones that pertain to Conditions 3 and 4 suggesting USAC did not properly implement the Commission’s rules. Fundamentally, the auditors selectively read the Commission’s orders and misinterpret requirements when it is the Commission that issued the rules and is responsible for their interpretation.

Condition 3 states that “During USAC’s compliance determination of the carriers’ PMM data, tests that were deferred due to network congestion (crosstalk) were improperly excluded in determining if the carrier complied with the required 95% threshold for latency.”² Relatedly, the auditors state that “USAC did not properly implement the requirements as set forth by FCC order 19-104 in its determination of whether a carrier has provided sufficient latency data to be in full compliance due to deferments.”³

The Commission disagrees with the auditors. USAC complies with requirements of the PMM order, inclusive of deferred latency tests.

Under the Commission’s rules, latency tests deferred due to crosstalk are properly excluded from the compliance calculation. As the Bureaus explained: “[f]or latency, we require a minimum of one discrete test per minute. . . . [I]f the consumer load exceeds 64 Kbps downstream, the provider *may cancel* the test and reevaluate whether the consumer load exceeds 64 Kbps downstream before retrying the test in the next minute”⁴ (emphasis added). The

² Audit Report at 9.

³ Audit Report at 9.

⁴ *Performance Measures Order*, 33 FCC Rcd at 6519, para. 27.

Appendix Summary of Testing Requirements in the same order removes any doubt: “If the consumer load during a latency test exceeds 64 Kbps downstream, the provider may cancel the test and reevaluate whether the consumer load exceeds 64 Kbps downstream before retrying the test in the next minute.”⁵

By excluding tests deferred due to latency from compliance calculations, USAC has reviewed carrier performance consistent with our orders.

Similarly, with respect to Condition 4, the auditors suggest that USAC did not comply with nonexistent speed testing requirements. The auditors state that “USAC also did not properly implement the requirements set forth by the FCC order when setting up its PMM system. Specifically, the PMM system did not consider the length of time the speed test was run as a carrier submitted data point to determine if a test should pass or fail.”⁶

USAC complies with requirements of the PMM order, inclusive of minimum speed test duration. The auditors cite to paragraph 18 of the *Performance Measures Order* (DA 18-710) as a minimum speed test duration requirement.⁷ While the *Order* does refer to a speed test as being 10-15 seconds in duration, the *Order* generally encourages the use of industry testing standards, and we have not interpreted the 10-15 seconds as a minimum requirement. Nonetheless, a test shorter than 10-15 seconds indicates that the carrier may not be conducting the test properly. We can explore further review of short tests.

Furthermore, there are two different techniques to measure speed performance—a “timed test” and a “byte count” test. The timed test runs a test for a specified time, and then the number of bytes downloaded is measured and the Mbps is calculated. The byte count test does the reverse. It targets a specific file with a known byte count, and then the time to download or upload that complete file is measured and the speed is calculated. Therefore, a test time of less than 10 or 15 seconds may or may not indicate an issue but requires follow up with the carrier. To improve and clarify acceptable “test duration,” WCB can explore defining a “test duration” requirement.

Since USAC has implemented the PMM consistent with our order, we do not agree with Recommendation 3—insofar as it suggests USAC misapplied our rules—or Recommendations 4 and 5. As USAC complies with the PMM orders, nothing needs to change with respect to latency calculations or enforcing speed test duration, and nothing the auditors cite would warrant adjustments to the carriers’ withholdings and/or payments previously made. To the extent Recommendation 3 suggests an amendment or clarification to current network testing rules, we agree that we could explore an update in light of technological changes and changes to the program whether allowing latency tests to be deferred or requiring latency tests to occur with crosstalk would be the best approach.

⁵ *Performance Measures Order*, 33 FCC Rcd at 6536.

⁶ Audit Report at 9-10.

⁷ Audit Report at 10; *Performance Measures Order*, 33 FCC 6516, para. 18.

FINDING 2: USAC Verification Reviews Procedures Did Not Include Sufficient Verification of Deployment Dates and Internet Speed

The Commission does not agree with this finding and the associated recommendations. We have aligned our programs so that deployment milestones fall on December 31st, and carriers must certify to meeting the milestone by March 1st of the following year. While carriers certify a specific deployment date, ultimately the Verification Team confirms that deployment occurred prior to the relevant milestone deadline. Any additional costs/burdens to verify the deployment date would not outweigh the benefits as nothing further would change the carriers' past compliance status.

In addition, USAC does not need to modify testing procedures for verification reviews to ensure that carriers are offering the speeds per the corresponding program requirements for minimum speeds. The Verification Team's procedures comply with Commission guidance. In FCC 14190 (footnote 284), with respect to verifications, the Commission said: "Such in-depth review could include, but is not limited to, confirming service availability through customer subscription records or online service qualification tools showing that service is available at a particular location"⁸ By using the speed advertised by carrier, USAC adheres to the guidance. However, that is just one tool USAC uses for a documentation verification. USAC uses subscriber bills, engineering certifications, provisioning system screenshots, acceptance tests, and released for sale emails. Additionally, verification reviews are but a part of how USAC ensures that speeds meet program requirements. USAC also conducts performance measures testing and on-site audits, which include on-site network testing.

In conclusion, the Commission believes that the actions described in this Management Response address each of the FCC OIG auditor's findings and recommendations related to the audit period encompassing performance measures testing and verification reviews completed by December 31, 2023. Thank you for the opportunity to review and respond to the recommendations.

Sincerely,

Mark Stephens

Mark Stephens
Managing Director

Joseph S. Calascione

Joseph Calascione
Chief, Wireline Competition Bureau

⁸ See *Connect America Fund; ETC Annual Reports and Certifications*, WC Docket Nos. 10-90, 14-58, 14-192, Report and Order, 29 FCC Rcd 15644, 15689, n. 284 (2014).

**APPENDIX C – KEARNEY & COMPANY, P.C.’S (KEARNEY) EVALUATION OF
MANAGEMENT’S COMMENTS**

Kearney & Company, P.C. (Kearney) provided a draft of this report to the Federal Communications Commission (FCC or Commission) on April 29, 2025. The FCC’s management provided a response to the findings, as seen in *Appendix B – Management’s Views on Conclusions and Findings*. In this appendix, we present our evaluation of the validity of the FCC’s management response in instances where comments are inconsistent with the report findings. The following is Kearney’s response to the comments that FCC management provided regarding our *Report on the Performance Audit over High-Cost Universal Broadband (HUBB) Portal Data (Report No. 24-AUD-04-02)*.

Kearney’s Response:

Finding #1: In its response, FCC management partially concurred with the findings and recommendations. Kearney respectfully disagrees with FCC management’s stance of excluding cross-talk latency tests in its compliance determinations. In its response, FCC management cited the order that allows for the cancellation of tests by the carriers. However, we discussed this with the FCC management during fieldwork and during the Notifications of Findings and Recommendations (NFR) process and found that the cited guidance did not support the exclusion of tests, only the rescheduling of tests. We noted that FCC order DA18-710, Paragraph 53, which states, “As with the MBA, we allow rescheduling of testing in instances where the customer usage exceeds [Measuring Broadband America] MBA cross-talk thresholds. Thus, we do not anticipate that customer crosstalk will affect CAF performance data any more (or less) than the MBA program data on which our standard is based. Customer usage should not prevent carriers with appropriately constructed networks from meeting our requirements.” We do not see where this guidance allows the exclusion of deferred tests due to crosstalk. Moreover, our objective was to determine the appropriateness of the Universal Service Administrative Company’s (USAC) performance measures testing. Kearney’s test work found that 14,173 of 21,928 quarterly latency submissions did not meet the 95% requirement when treating deferred tests as failed tests. In our opinion, a 65% non-compliance rate does not reflect effective testing. Even if the exclusion of crosswalk were allowed by the relevant guidance, which Kearney believes is not the case, it still would not represent effective testing and we would recommend changing the guidance.

Furthermore, during our review of the Performance Measures Model (PMM) order and the citations made by FCC management in their response, Kearney did not note any explicit guidance that allows for the exclusion of cross-talk latency tests for compliance determinations. However, the guidance above does explicitly state that latency tests may be rescheduled if deferred tests exceeded the thresholds.

FCC management also stated that Kearney’s report referred to a “nonexistent speed testing requirement”. However, our criteria included paragraph 18 of the *Performance Measures Order* (DA 18-710), which includes that speed testing requirement. Kearney also noted that FCC’s response goes on to state, “While the Order does refer to a speed test as being 10-15 seconds in

duration”, which seems to acknowledge that a speed test requirement exists. Additionally, FCC’s response states that, “a test shorter than 10-15 seconds indicates that the carrier may not be conducting the test properly” and that management “can explore further review of short tests.” This is consistent with Kearney’s recommendations.

Additionally, FCC management stated that they disagreed “that controls in place at the time of the audit were not sufficiently designed to accurately determine carriers’ compliance with HUBB requirements” in response to the recommendations for conditions one and two. Management further stated that analyses are performed (e.g., to detect anomalies) on the data provided by the carriers. Kearney notes that our objective was to determine the appropriateness of USAC’s performance measures testing. Collecting data and analyzing for anomalies is an important step. However, without formal testing, non-compliant carriers may go undetected. As noted in our findings, data submitted by carriers are not tested until the end of the program by the USAC’s Audit Assurance Division (AAD) team. Since testing is performed at the end of the program, which may take up to a decade, any errors or fraudulent activity may not be detected timely.

Lastly, FCC management stated they perform procedures that “scrutinizes carriers who request a relatively high amount of replacements.” Kearney inquired about the procedures management had performed over carriers who request numerous replacement samples. At the time of our audit, management had selected two carriers to obtain documentation to support a sample of replacement requests submitted in 2020. Management found errors with one of the carriers. However, management did not subsequently select additional carriers or replacements to test. While management may have a process to test excessive replacement requests, management has not performed these tests outside the two initial tests performed. Moreover, based on Kearney’s own analyses, there have been several instances of carriers requesting significant replacement samples that have not undergone the same scrutiny as the two aforementioned carriers.

In light of these facts, Kearney’s findings and recommendations remain unchanged.

Finding #2: Kearney respectfully disagrees with FCC’s response that additional verification of deployment dates would not provide sufficient benefit to justify the cost. While it is acknowledged that carriers self-certify compliance and the Verification Team confirms deployment occurred prior to the milestone deadline, the specific deployment date can have significant implications on a carrier’s eligibility for support. As stated in the Effect section of **Finding #2** in our report, there are statutory limits on a carrier’s ability to recover withheld support once non-compliance is identified. Carriers with deficiencies that are not corrected within one year are subject to recovery of support. In such cases, confirming the precise timing of deployment is essential to determine the accurate compliance period and protect program integrity.

Additionally, regarding the sufficiency of current verification procedures, Kearney respectfully disagrees with management’s conclusion that no additional steps are needed to verify actual deployment dates and internet speeds.

FCC’s response references the potential use of “customer subscription records or online service qualification tools” to confirm availability. However, based on Kearney’s audit, it is unclear whether such documentation was consistently reviewed to demonstrate that required speeds were met.

Additionally, while the FCC states that USAC does not need to modify its verification procedures, FCC 11-161, paragraph 92, specifies that funding recipients must provide broadband that meets actual performance metrics- not merely advertised or “up to” speeds. Verifying that recipients offer certain speeds does not equate to verifying that those speeds are being provided. The purpose of testing should be to ensure compliance with minimum performance metrics. By relying on advertised speeds, USAC’s approach does not align with the program’s intended goals or the FCC’s guidance.

Kearney maintains that USAC’s current verification procedures do not fully address the findings of the audit related to both deployment timing and broadband performance. Strengthening these procedures would enhance program oversight and reduce the risk of improper disbursements.

In light of these facts, Kearney’s findings and recommendations remains unchanged.

APPENDIX D – ABBREVIATIONS AND ACRONYMS

Acronym	Definition
AAD	Audit Assurance Division
CAF	Connect America Fund
CAF II	Connect America Fund Phase II Model
CFR	Code of Federal Regulations
CY	Calendar Year
FCC	Federal Communications Commission
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
Green Book	<i>Standards for Internal Control in the Federal Government</i>
HC	High-Cost
HCMF	High-Cost Modernized Fund
HUBB	High-Cost Universal Broadband
IT	Information Technology
IXP	Internet Exchange Point
Kearney	Kearney & Company, P.C.
LOC	Line of Credit
OIG	Office of Inspector General
OMD	Office of Managing Director
MBA	Measuring Broadband America
NFR	Notification of Findings and Recommendations
PMM	Performance Measures Module
PY	Program Year
RBAP	Rural Broadband Accountability Plan
RBE	Rural Broadband Experiments
SAC	Study Area Code
USAC	Universal Service Administrative Company
USF	Universal Service Fund
Verification Team	High-Cost Verification Team
WCB	Wireline Competition Bureau



OFFICE OF INSPECTOR GENERAL

FEDERAL COMMUNICATIONS COMMISSION

45 L Street NE, Washington, DC 20554

www.fcc.gov/inspector-general

To report suspected fraud, waste, and abuse within the Federal Communications Commission, contact the Office of Inspector General through one of the methods below:

- Call: 1-888-863-2244 or 202-418-0473
- Email: hotline@fcc.gov
- Fax: 202-418-2811