



# Audit Readiness & Compliance: USF High-Cost

**Webinar**

**February 18, 2026  
1-2pm ET**

# Audit Readiness & Compliance: USF High-Cost Program

## Agenda

1. **Today's Regulatory and Industry Audit Landscape** - *Celia Lewis, Policy Director*
2. **Common Audit Risk Areas & Insights** – *Ryan Denzel, VP*
3. **USAC HUBB Location Verification Audits** – *Paul M. Nesenson, Director of GIS Analytics*
4. **Fireside Chat: Introducing the Next Generation USF Audit Readiness Pilot Program**  
Panelists: *Brian Sullivan, VP; Douglas Meredith, Economic Advisor; Celia Lewis*
5. **Closing Remarks and Questions**

# Today's Regulatory and Industry Audit Landscape Overview



**Universal Service  
Administrative Co.**



# Today's Regulatory and Industry Audit Landscape Overview

## Rising Audit Exposure and Regulatory Scrutiny

- ❖ FCC and USAC are expanding audit coverage and increasing enforcement visibility.
  - ❖ See FCC Saves Taxpayers Over \$9 Million Following Audit Reviews, Press Release (Sept. 10, 2025), available at <https://www.fcc.gov/document/fcc-saves-taxpayers-over-9-million-following-audit-reviews>.
- ❖ Heightened focus on waste, fraud, and abuse places new pressure on all USF program participants.
- ❖ Carriers face greater documentation demands, longer audit timelines, and higher financial risk.
- ❖ Reactive responses are no longer enough — clients need structure, readiness, and ongoing risk mitigation/compliance support.

# Today's Regulatory and Industry Audit Landscape Overview

## Increased Federal Scrutiny = Carriers' Need to Stay Ahead

From a federal perspective, High-Cost presents the highest risk of improper payment – even without fraud. It's *complex*, still *cost-based*, and *difficult to unwind* after the fact.

Who's driving High-Cost oversight?

**GAO** → sets risk and control expectations

**FCC OIG** → audits FCC and USAC administration of payment integrity, internal controls, and program compliance

**USAC** → executes audits and ongoing reviews

Why this matters strategically?

High-Cost oversight pressure is coming from three angles simultaneously:

1. **Financial accuracy (payment integrity)**
2. **Program performance (build-out & certification)**
3. **Control structure (continuous monitoring and documentation sufficiency)**

Carriers need structure across all three – not just cost support.

**What This Means for Carriers:**

High-Cost oversight evaluates not just what is filed – but how compliance operates.

Carriers should be prepared to demonstrate structured, repeatable, and well-documented processes across financial, operational, and certification functions.

# Today's Regulatory and Industry Audit Landscape Overview

## Recent FCC-OIG Actions that will impact carriers

1. **9/30/25: Final Report for the Performance Audit over High Cost Universal Broadband (HUBB) Portal Data (Report No. 24-AUD-04-02); [HUBB Portal Final Audit Report](#)**
  - FCC OIG reviewed USAC's verification reviews and CAF performance measures testing.
  - Audit found weak controls in performance testing and areas where verification procedures need improvement.
  - FCC did not concur with most findings/recommendations.
  - USAC has also acted by creating a **Special Compliance Review group** that performs quarterly analyses of subscriber replacements to detect anomalies and improve monitoring.
2. **May 27, 2025: FY 24 Audit of FCC's Compliance with Payment Integrity Information Act (PIIA) of 2019 (Report No.:25-AUD-0101); [Audit Report](#)**
  - FCC OIG determined that while 11 of 13 FCC programs were compliant with PIIA, FCC was noncompliant with PIIA overall because two of the 13 assessed FCC Universal Service Fund (USF) programs, **Lifeline and High Cost Legacy**, did not comply with one of the 10 PIIA criteria.
  - For **both programs**, the Improper Payment Rate (IPR) **increased from the previous year**, and the programs were **unable to achieve set reduction targets**; each program was unable to demonstrate payment integrity improvements for FY 2024.

Recent FCC OIG Semiannual Report (SAR) (04.01.25 – 09.30.25) to Congress, available [here](#).

# Common Audit Risk Areas & Insights

## Types of USAC Audits

- [Payment Quality Assurance \(PQA\)](#) assessments to determine if payments were made in accordance with FCC rules and calculate estimated rates of improper payments
- [Beneficiary and Contributor Audit Program \(BCAP\)](#) audits to ensure carrier compliance with FCC rules and program requirements
- [Supply Chain Audit Program \(SCAP\)](#) assessments to evaluate carrier compliance with [rules](#) prohibiting the use of USF support to purchase, rent, lease, obtain or maintain any equipment or services produced or provided by any company designated by the FCC as posing a national security threat to the integrity of communications networks or the communications supply chain

**PQA**

**BCAP**

**SCAP**

# Common Audit Risk Areas & Insights

## Beneficiary and Contributor Audit Program and Supply Chain Audit Program

- USAC-Internal Audit Division (IAD) uses both internal staff and external audit firms to conduct BCAP audit engagements (Sikich (CLA), GKA, Grant Thornton, Baker Tilly, KPMG, Price Waterhouse Coopers, and others)
- Audit Focuses on CAF BLS, HCLF, and CAF ICC
- Timing: 1-3 Years

# Common Audit Risk Areas & Insights

## BCAP Common Findings - Legacy

- All aspects of revenue requirement development and cost development
- Spare Fibers / Leased Fiber Allocations
- Continuing Property Records (CPR) – Asset Testing / Reconcile
- Intercompany allocations, leases, or cost assignments that do not utilize current data will likely be recalculated by auditors to determine impacts
  - Non-regulated % allocations
  - Leases and agreements
  - Payroll account distributions
- Inaccurate Loop Counts - Carriers must provide documentation that properly supports the number of loops reported on the HCL Data Collection Form and for CAF BLS Purposes

# Common Audit Risk Areas & Insights

## Payment Quality Assurance Program (PQA) / Program Integrity Assurance Assessment (PIA)

- USAC-IAD uses USAC to Complete PQA/PIA
- Audit Focuses on CAF BLS, HCLF, and CAF ICC
- Timing: 6 months to 2 years

# Common Audit Risk Areas & Insights

## Payment Quality Assurance (PQA)

### Common Findings - Legacy

- Depreciation Methodology
  - Depreciation calculations are inaccurate, either due to incorrect asset balances or improper depreciation rates
  - Carriers must calculate depreciation and amortization expenses using the mass asset depreciation method on their average monthly balances, recorded accurately and in the correct accounting periods.
- Continuing Property Records (CPR)
  - Record Retention – unable to provide invoices
  - Not able to support labor retirement costs
- Ineligible expenses, such as personal expenses, luxury items, or other costs not necessary for eligible services.

# Common Audit Risk Areas & Insights

## Asset Samples

ACCOUNT 2230 (Sub-sample)					
Sample #	Account	Account Description	Total Amount (per Sample Supporting Documentation)	WP Ref.	Total Amount (per CPR)
1	2232.8	Frame 30" FMDf Section			\$ 106,082.39
			\$ -		

ACCOUNT 2410 (Sub-sample)					
Sample #	Account	Account Description	Total Amount (per Sample Supporting Documentation)	WP Ref.	Total Amount (per CPR)
1	2424	Fiber Cable 144 Fiber			\$ 900,573.68
2	2424	Fiber Cable 144 Fiber			\$ 872,829.80
3	2424	Fiber Cable 48 Fiber			\$ 806,183.13
4	2425	Service ENT, BUR OPT 02			\$ 489,119.01
5	2424	Fiber Cable 96 Fiber			\$ 483,466.29

# USAC HUBB Location Verification Audits

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OVERVIEW OF PROCESS, REQUIREMENTS, AND BEST  
PRACTICES

## What is the HUBB?

The High Cost Universal Broadband (HUBB) portal is managed by USAC.

Carriers receiving High Cost support must file broadband deployment data.

Includes geocoded coordinates of locations meeting broadband deployment obligations.

Not based on FCC Location Fabric that is used in Broadband Data Collections

# Purpose of Location Verification Audits

## Verify

Verify accuracy of filed HUBB location data.

## Ensure

Ensure compliance with FCC deployment obligations.

## Protect

Protect integrity of USF funding.

## Audit Triggers

Random selection by USAC.

- EVERYBODY will be audited

Targeted audits due to anomalies or past non-compliance.

Part of regular program integrity assurance (PIA) efforts.

# What USAC Reviews in an Audit

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Validity of geocoordinates submitted.

Customer premises existence (e.g., actual BSLs).

Evidence of broadband-capable infrastructure at locations.

Installation records and service availability timelines.

# What Specifically Does USAC Review in an Audit

Location Accuracy

Speed (with qualifying broadband subscriber)

Speed (without qualifying broadband subscriber)

Deployment Date (with qualifying broadband subscriber)

Deployment Date (without qualifying broadband subscriber)

Unit Counts



# Required Documentation

- Construction records and as-built maps.
- Customer installation logs or service orders.
  - Have techs test speeds on site at the end of construction or service order
- Photographic evidence of premises and equipment.
- Network diagrams showing served locations.

# Subscriber Bills



<b>KEY</b>	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 15px; height: 15px;"></span> INCLUDE: CUSTOMER ADDRESS, DATES OF SERVICE, SPEED
	<span style="background-color: black; border: 1px solid black; display: inline-block; width: 15px; height: 15px;"></span> REDACT: ALL CUSTOMER PERSONAL INFORMATION: NAME, ACCOUNT NUMBER, PIN

### ACCOUNT SUMMARY

**ACCOUNT NUMBER:** [REDACTED]      **PIN NUMBER:** [REDACTED]

Billing Date	12/22/18
<b>New Charges Due Date</b>	<b>1/09/19</b>
Previous Balance	84.83
Payments Received Thru 12/08/18	-84.83
Balance Forward	.00
New Charges	84.83
<b>TOTAL AMOUNT DUE</b>	<b>\$84.83</b>



### PAYMENT STUB

<b>Total Amount Due</b>	<b>\$84.83</b>
New Charges Due Date	1/09/19
Account Number	<span style="background-color: black; color: black;">[REDACTED]</span>
Amount Enclosed	\$ <u>          .</u>

[REDACTED]  
CUSTOMER STREET ADDRESS  
CUSTOMER CITY, STATE, ZIP CODE

MAIL TO:  
 ABC PHONE COMPANY  
 PHONE COMPANY STREET ADDRESS  
 PHONE COMPANY CITY, STATE, ZIP CODE

MONTHLY SERVICE CHARGES FROM 12/22/18 to 1/21/19	
Digital Phone Unlimited	30.99
Broadband Service 10/1	29.99
<b>TOTAL MONTHLY SERVICE CHARGES</b>	<b>60.98</b>

### OTHER SERVICE CHARGES AND CREDITS

DETAIL OF TAXES AND OTHER CHARGES	
DETAIL OF FEDERAL TAXES AND CHARGES*	
Federal Excise Tax	.26
Access Recovery Charge	1.98
Primary Federal Subscriber Line Charge	6.50
Federal USF Recovery Charge	1.71

# Engineering Certification

April 18, 2018

Re: Engineering Certification of Gigabit Technology and Coverage

Dear USAC Representative,

XYZ Engineering Company has reviewed the maps, designs and equipment specifications for the ABC Phone Company fiber network build-out in the 123 exchange of Anytown, USA.

I certify that they meet or exceed the CAF II performance requirements and have the capability of providing gigabit speeds for any CAF II eligible locations within these exchanges. All locations within Anytown, USA are covered by 123 exchange and the 100% fiber network capable of delivering up to 1 gig service. The fiber in this location was live and in effect by December 31, 2017.

If you have any questions or need additional information, please let us know.

Best regards,

Signature

Firstname Lastname

Title

XYZ Engineering Company

123.456.7891

name@email.com

License #456789

State Licensed: VA

# Public Facing Availability Tool

## Results for:



Customer Street Address, Customer City, State, Zip Co

**Not your address? Change it.**



**INTERNET**

## Internet

Download and watch videos and music

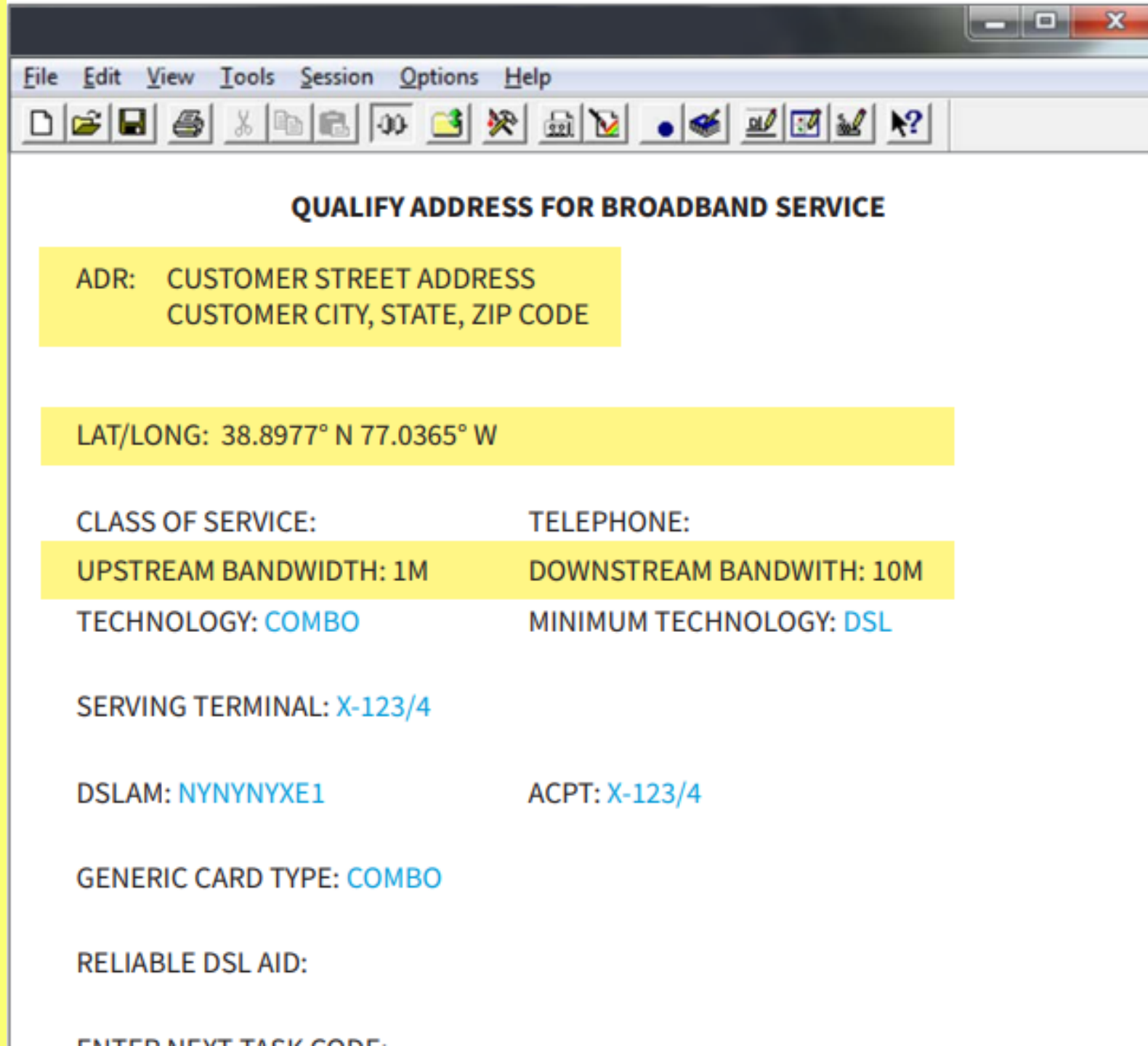
Access social network sites

Surf the information superhighway

## FEATURE:

**Speeds of up to 10 mbps download, 1 mbps upload**

# Provisioning System Screenshot



# Construction Project Completion Sign-Off Sheets

ITEM	INSPECTION CHECKLIST	Task to be done by:	DateShop	COM	Completed by (name[s]):	ACCEPTED by COM	
						Initials	Date
0	Review spec & drawing						4/15/2016
1	Inventory Material			<input checked="" type="checkbox"/>	First Name, Last Name	FNLN	4/15/2016
2	Provision & tum up system			<input checked="" type="checkbox"/>	First Name, Last Name	FNLN	4/15/2016
3	Complete redlines, leave copies with COs & copy in job folder						
4	Notify engineer when equipment is accepted & ready for traffic			<input checked="" type="checkbox"/>	First Name, Last Name	FNLN	4/15/2016
5	DSLAM name or CLLI code: NYNYNYXE1						

### CO Installer verification

CO Installation tasks are complete and ready for inspection by COM.

Signature of CO Installer:

*Signature*

Date: 4/15/2016

### COM Maintenance Acceptance

If partial acceptance, what exceptions remain?


Partial Acceptance

Final Acceptance

Remarks:

Final acceptance by CO Foreman

Signature of CO Foreman or designee:

Date: 4/15/2016

## **Common Issues Found in Audits**

- Geocodes pointing to roads or empty lots.
- Inaccurate addresses
- Duplicate location filings.
- Wrong number of units associated with a building.



# Timeline and Process

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1. Notification – Carrier receives audit notice from USAC.
2. Documentation Request – Detailed list of records to submit.
3. Response Window – Typically 14–30 days to respond.
4. Review – USAC reviews evidence and may follow up.
5. Findings – Final audit report and potential corrective actions.

# Consequences of Audit Findings

Required correction of HUBB data.

Withholding or recovery of support.

Additional oversight or targeted audits.

Referral to FCC for enforcement in serious cases.

# Best Practices for Compliance

## Use

Use field-verified geocoding (not estimated or parcel center).

## Maintain

Maintain real-time deployment documentation.

## Avoid

Avoid filing anchor institutions or commercial buildings unless residential.

## Train

Train staff on HUBB requirements and verification processes.



# Tools and Resources

USAC HUBB Filing Guides: <https://www.usac.org/high-cost/>

GIS tools for accurate mapping.

3<sup>rd</sup> Party reverse geocode providers to match addresses

HUBB Location to Broadband Fabric comparison .

Internal audit/self-verification processes.

# Final Takeaways

- Be proactive, not reactive.
- Clean data is key to avoiding funding risk.
- Maintain audit-ready documentation.
- Regularly review HUBB filings and address discrepancies.



## Introducing the Next Generation USF Audit Readiness Pilot Program

### Panelists

**Brian Sullivan, VP**

**Douglas Meredith, Economic Advisor**

**Celia Lewis, Policy Director**

# Closing Remarks/Questions

## Next Generation USF Audit Readiness Pilot Program

The Pilot strengthens carrier preparedness for evolving FCC and USAC audit scrutiny with continuous compliance readiness.

### Key Deliverables

At a discounted rate, participants receive a **Staff Ownership Map** and a **Comprehensive Readiness Assessment** to identify gaps and risks.

### Measurable Outcomes

The Pilot enhances financial protection, operational stability, and organizational resilience against audit risks.

### Adaptive Compliance

Co-developed with participants so the Pilot continuously adapts to evolving regulatory expectations.



For more information, contact:  
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Thank you for your time today!