OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20554

June 7, 2017

Steven Fenker, CEO
Nexus Communications, Inc.
3629 Cleveland Avenue
Suite C
Columbus, OH 43224

Dear Mr. Fenker,

The Federal Communications Commission (FCC) Office of Inspector General (OIG) submits the attached final audit report in regards to Lifeline program funds that Nexus Communications, Inc. received from the Universal Service Fund (USF) Lifeline Program. The OIG contracted Lani Eko & Company to conduct the audit in accordance with generally accepted government auditing standards. 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. The auditors believe that the evidence obtained provides a reasonable basis for their findings and conclusions based on their audit objectives.

The OIG contracted for this audit consistent with its authority under the Inspector General Act of 1978, as amended, including, but not limited to sections 2(1), 4(a)(1) and 5. It is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.
The objectives of the audit were to determine if Nexus Communications, Inc. (1) complied with Title 47 of the Code of Federal Regulations, specifically 47 C.F.R. § 54.400 - 54.422, and related orders regarding the Lifeline program, and (2) had adequate and effective controls to ensure USF funds were safeguarded and used for the intended purposes. The audit covered the 12-month period ending June 30, 2015 and was limited to Study Area Code (SAC) 349019 Illinois.

LEC identified three deficiencies that resulted in findings and made nine recommendations to Nexus's management to address those findings. The auditors reviewed Nexus's management response to the draft report and considered the management response in finalizing the audit report. However, the auditors determined that Nexus's management response does not address the deficiencies and recommendations discussed in the audit report, and thus is nonresponsive. Therefore, the management comments were not appended to the audit report. USAC generally agreed with the audit findings and recommendations. USAC's comments are provided in Appendix C of the report.

The auditors are wholly responsible for the audit report. The report is intended solely for the information and use of USAC, the FCC, Lani Eko & Company and Nexus. However, to the extent it can be made public, the report will be posted on the OIG web page.

If you have any questions or concerns regarding this audit report, please contact Robert McGriff, Assistant Inspector General for Audit, at 202-418-0483 or robert.mcgriff@fcc.gov; or Sharon Spencer, Deputy Assistant Inspector General for USF Program Audits at 202-418-0477 or sharon.spencer@fcc.gov.

Sincerely,

for RBM, AIGA

David Hunt
Inspector General

Attachment

Federal Communications Commission
Audit of Nexus Communications, Inc. Lifeline Program (for Service Area Code 349019)

July1, 2014 – June 30, 2015

Lani Eko & Company, CPAs, PLLC

FINAL REPORT

[redacted]

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EXECUTIVE SUMMARY

The objective of the audit was to determine whether Nexus Communications Inc. (Nexus) complied with the regulations and orders governing the Universal Service Fund (USF) Low-Income Support (also known as the Lifeline Program), set forth in Title 47 Code of Federal Regulations (C.F.R.) Part 54, specifically 47 CFR § 54.400 - 54.422, and other program requirements (collectively, the Rules).

We conducted our audit in accordance with standards applicable to Government Auditing Standards, issued by the Comptroller General of the United States. Our audit covered the period July 1, 2014 through June 30, 2015.

Nexus' management, primarily through its attorneys, made oral and written representations in response to specific auditor inquiries or through Lifeline Program documents and other supporting documents provided to us. Those representations are part of the evidential matters we evaluated in forming overall conclusions on the audit's objectives. An executed written management representation letter confirms management's representations, explicitly or implicitly given to the auditor, indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstandings concerning the matters that are the subject of the representations. Nexus' management refused to utilize the management representation letter template provided by the auditor. Instead, Nexus' management drafted and signed its own management representation letter that did not address matters the auditor deemed material to the audit's objectives. Throughout the audit process, the auditors were not allowed complete and free access to Nexus' management and staff. Except for the entrance meeting, all major audit communication, including audit inquiries, meetings, responses to requests for supporting documents, draft audit findings, and the draft audit report were communicated through Nexus' attorneys, without participation of Nexus' management or staff.

Because of the limitations on the audit scope, as discussed in the paragraph above, we were not able to determine whether Nexus' complied with regulations and orders governing the Lifeline Program. However, based on the work completed, we noted the following matters relating to Nexus' operations as an Eligible Telecommunication Carrier (ETC) providing Lifeline Program services in Illinois Service Area Code Number 349019:

1. Nexus did not maintain complete and accurate records for Lifeline Program compliance, and records that were maintained were not readily available for examination by the auditors.

2. Nexus claimed Lifeline Program reimbursements for Lifeline subscribers who resided outside of Nexus' designated Service Area Code.

3. Nexus may have improperly claimed and received USF reimbursements for Lifeline Program subscribers who did not provide their full names, as required by FCC Rules.

4. Nexus was reimbursed for Lifeline Program services provided to subscribers who did not recertify their continued eligibility for Lifeline Program support.

5. Subscribers' certification and recertification forms could not be verified because the forms were missing required information or did not agree with Nexus' subscriber listing.

The detailed findings, recommendations and management responses are discussed in the respective sections of this report.

Nexus' management comments were not responsive to the findings, conclusions and recommendations discussed in the audit report. Therefore, we did not append the management comments to the audit report. Additionally, Nexus' attorneys informed us that Nexus is no longer providing Lifeline Program-supported services and has relinquished its ETC designation. See Appendix B for additional information on Nexus' management's response. The Universal Service Administrative Company's (USAC) response to the audit report's findings and recommendations is included in Appendix C.

BACKGROUND

The Telecommunications Act of 1934 created the Federal Communications Commission (FCC) and established the universal service to provide access to a baseline level of telecommunications services to all Americans. The Telecommunications Act of 1996 expanded the scope of universal service to include increased, affordable access to telecommunications and advance services, such as internet services, to all consumers. The Universal Service Fund (USF) is monies collected from telecommunications companies and dedicated to fulfilling the goals of universal service. The USF supports the following four programs: Lifeline, High Cost, Schools and Libraries and Rural Health Care. The FCC appointed the Universal Service Administrative Company (USAC) as the permanent administrator of the USF. In accordance with the FCC rules, USAC is responsible for protecting the integrity of universal service through informing and educating program audiences, collecting and distributing contributions, and promoting program compliance. The FCC sets USF program rules and oversees USAC.

The Lifeline Program provides monthly discounts on landline or wireless phone service to eligible low-income households. The Lifeline Program discount can lower or eliminate the cost of subscribers' monthly phone bills. Only one Lifeline Program discount is available per household, except in cases where a subscriber completes and certifies an Independent Economic Household Worksheet. Eligible low-income individuals apply for the discount through participating telecommunication companies in their respective state of residence. USAC distinguishes Lifeline Program providers and state of operation by Service Area Codes (SAC). Lifeline Program subscribers must certify: (1) their initial program eligibility and recertify each year; (2) their continued eligibility to receive the Lifeline Program discount; and (3) that no one else in their household is receiving a Lifeline Program discount.

Nexus Communications Inc. (Nexus) is incorporated in the State of Ohio and headquartered in Columbus, Ohio. Nexus is 100 percent owned by its President. Nexus operates its wireline business under the names TSI and TSI Telephone Company, and operates its wireless business under the name ReachOut Wireless. Nexus, established in 2000, became a competitive local exchange carrier in 2001 and received its first ETC designation in June 2006. Nexus has ETC designation in 26 states; provides wireline service as an ETC in 13 states, and wireless service as an ETC in 18 states. As of the date of this audit report, Nexus has relinquished its ETC designation and no longer provide Lifeline Program-supported services.

The Office of Inspector General (OIG) contracted with Lani Eko & Company, CPAs, PLLC (LEC) to conduct a performance audit of Lifeline Program funds claimed by Nexus for Illinois SAC 349019. The audit covered the period July 1, 2014 through June 30, 2015. The audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Finding No. 1 – Record Keeping

Nexus did not maintain complete and accurate records for the Lifeline Program, and the records that were maintained were not readily available for examination by the auditors. Specifically, the following matters were noted for the 78 Lifeline subscribers in our sample[1]:

- We noted discrepancies between the subscribers' billing records and FCC Forms 497, *Lifeline Worksheet*, submitted to USAC. In one instance, a subscriber with a service activation date of January 2015 was included on the FCC Form 497 that Nexus submitted for December 2014.
- Nexus de-enrolled eight subscribers from the Lifeline Program because of their failure to re-certify. However, we were unable to verify de-enrollment deadlines for the eight subscribers because Nexus did not maintain copies of notices sent to subscribers regarding their de-enrollment. Nexus' management agreed the FCC's Lifeline Program rules require ETCs to retain records documenting the reasons for subscriber de-enrollments, including failure to re-certify or for non-usage.
- The re-certification notices sent to subscribers did not indicate, in easily understood language, that the subscriber has 30 days following the date of the notice to demonstrate continued eligibility or the carrier will terminate the subscriber's Lifeline services. Additionally, as of the date of our audit tests, Nexus' website did not have a clearly specified de-enrollment link to facilitate subscribers' request to relinquish Lifeline Program services. Nexus' management informed us that the de-enrollment link was reestablished on its website on April 1, 2016.
- For the twelve-month period tested, the number of Lifeline Program subscribers enrolled with Nexus decreased significantly, from a high of 62,171 subscribers to a low of 31,499, a 49 percent decrease. A significant portion of the decrease was for reasons other than non-usage and failure to recertify. Nexus attributed the decrease to subscribers who transferred

[1] Lani Eko & Company, CPAs, PLLC (LEC) determined the sample size based on the guidance provided in the GAO/PCIE FAM, Section 450.08. We selected a confidence level of 90% with (1) acceptable number of deviation based on a tolerable error rate of 5%. The population is based on the subscriber listings for three months randomly selected by the auditor as follows: July 2014 - population of 53,166 subscribers, August 2014 - population of 57,039 subscribers, and June 2015 - population of 31,499 subscribers. Next, the auditors randomly selected 26 subscribers from each month, resulting in a sample size of 78 to perform attribute testing.

their Lifeline Program services to other telecommunications carriers due to competition, and fewer consumers being eligible for Lifeline benefits due to the reduced rate of unemployment. We were unable to assess the reasonableness of Nexus' management representations because supporting documents were not provided for examination.

- We could not confirm the calendar year 2014 recertification for some subscribers for which Nexus received reimbursement from the USF because (a) audio recordings of subscribers' recertification were not date stamped; (b) there were discrepancies between the Application Certification Form and Subscriber Listings; and (c) initial Certification Forms were not provided for our examination. Additional details on certification and recertification findings are discussed in Table 1.

Table 1 – Certification and Recertification Findings

Number of Subscribers	Finding Description and Nexus' Response to the Auditor's Inquiry
23	Subscribers did not have the required annual recertification forms on file for calendar year 2014.
3	The last four digits of subscribers' Social Security Numbers (SSN) did not agree with the SSNs reported on the Subscriber Listings. Nexus stated the discrepancies were caused by an inadvertent clerical data entry error.
4	Subscribers' date of birth was either omitted from Certification Forms or did not agree with Subscriber Listings. Nexus stated the discrepancies were caused by an inadvertent clerical data entry error.
1	Subscriber's first name on the Certification Form did not agree with the Subscriber Listings. Nexus' management acknowledged the discrepancy between the subscriber's first name on the Certification Form and subscribers' list provided to the auditor.
7	Subscribers' initial certification date could not be verified because the initial Certification Forms were either not provided for examination, or the dates were omitted from the certification forms. Nexus' management acknowledged certification dates were omitted on two Certification Forms. In response to the auditor's inquiries, Nexus provided the auditors audio recordings of re-certifications for five subscribers for examination. The audio recordings were not date stamped. Therefore, we were unable to verify the dates of the audio recordings.
1	Subscriber did not sign the certification form prior to receiving Lifeline Program support for which Nexus claimed and received reimbursements. Nexus' management acknowledged that the initial certification form provided to the auditors did not include a written signature. In response to the auditor's inquiries, Nexus provided the auditors an audio recording of the subscriber's application for Lifeline Program support. The audio recording was not date

Number of Subscribers	Finding Description and Nexus' Response to the Auditor's Inquiry
	stamped; therefore, we were unable to verify when the recording was made or the identity of the subscriber.

USAC identified similar findings in its February 10, 2014, audit report on Nexus' Lifeline Program[2]. Nexus had not implemented USAC's recommended corrective actions to establish policies and procedures for de-enrollment and record retention to demonstrate Nexus' compliance with the Lifeline Program rules.

Nexus' management did not concur with the draft audit report findings.

Criteria:

Title 47 CFR § 54.407(e) states, "In order to receive universal service support reimbursement, an eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline services. Such records shall be kept in the form directed by the Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart."

In accordance with Title 47 CFR § 54.417(a), Recordkeeping requirements, "Eligible telecommunication carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the FCC or USAC upon request."

Title 47 CFR § 54.405(e)(1) and (4) states if an ETC has a reasonable basis to believe that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer, ETC must notify the subscriber of impending termination of his or her Lifeline service. "Prior to de-enrolling a subscriber under this paragraph, the eligible telecommunications carrier must notify the subscriber in writing separate from the subscriber's monthly bill, if one is provided using clear, easily understood language, that failure to respond to the re-certification request within 30 days of the date of the request will trigger de-enrollment."

Title 47 CFR § 54.410 (f)(2) (iii) states, "obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section."

Title 47 CFR § 54.410 (f)(1), Annual eligibility re-certification process states, "All eligible telecommunications carriers must annually re-certify all subscribers except for subscribers in states where a state Lifeline administrator or other state agency is responsible for re-certification of subscribers' Lifeline eligibility."

[2] LI2014BE002-Nexus Communications, Inc.

GAO's Standards for Internal Control in the Federal Government Section OV2.23 states, "Management conducts activities in accordance with applicable laws and regulations."

GAO's Standards for Internal Control in the Federal Government Section OV2.23 states, Section OV 2.24, "Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets."

Cause:

Nexus had not implemented internal control, or document retention policies to ensure compliance with Lifeline Program rules. Nexus' management stated that the FCC's Lifeline Program rules did not require retention of Lifeline Program documents (e.g. FCC Form 497).

Effect:

- Nexus has increased its risk of an impairment of accountability and transparency in delivering of Lifeline Program-supported services to subscribers and receiving reimbursements because certain Lifeline Program records (e.g. de-enrolment notices) were not maintained.
- Eligible subscribers may have been improperly de-enrolled from Lifeline Program-supported services.
- We estimated improper payments of $3,348.50 for the seven subscribers whose initial certification forms were not provided for our examination or the enrollment dates were omitted from the certification forms.
- We estimated additional improper payments of $2,553 for the 23 subscribers for which Nexus did not have the required annual recertification on file for the calendar year 2014.

Recommendations:

We recommend Nexus' management:

1.1 Consult USAC to clarify the Lifeline Program rules for record retention.

1.2 Develop and implement additional controls to address deficiencies in Nexus' compliance with Lifeline Program rules such as subscribers' eligibility and retention of program's records.

1.3 Develop and implement a training plan and conduct periodic training that addresses Lifeline Program requirements, Best Practices and USAC's technical guidance.

1.4 Ensure Lifeline Program subscribers' certification and recertification forms support Form 555, *Annual Lifeline Eligible Telecommunications Carrier Certification Form*.

We recommend that USAC's management:

1.5 Conduct further review of Nexus Communications' subscribers who were de-enrolled in Program Year 2014-2015 for reasons other than failure to recertify or non-usage to ensure that (a) de-enrollees where in-fact not eligible for Lifeline Program support, and (b) reimbursements to Nexus were limited to the amount necessary to provide access to telecommunication service for eligible Lifeline Program subscribers.

USAC's Response:

USAC's management concurred with Finding No.1, *Record Keeping*, and associated recommendations. See Appendix C for USAC's complete response.

Finding No. 2 – Ineligible Subscribers

Nexus claimed and received Lifeline Program reimbursements for two subscribers who resided outside the Nexus' designated SAC.

Table 2: Ineligible Subscribers

Period	Sample No.	City/State/Zip Code
August 2014	14	Bloomington, IL 61701
June 2015	3	Chebanse, IL 60922

Nexus' management stated there is no perfect system for matching a residential address with Incumbent Local Exchange Carriers' (ILEC) service areas due to the lack of complete and accurate mapping data. The map provided by Nexus shows the address for subscriber Sample No. 14, Bloomington, Illinois, is within Nexus' service area. The Illinois Telecommunication Association's ILEC, the basis for the auditor's finding, shows that the subscriber is outside Nexus' SAC. Nexus' management agreed that the address for subscriber sample no. 3, Chebanse, Illinois, was outside Nexus' service areas.

Nexus' management did not concur with the draft audit report findings.

Criteria:

Title 47 CFR § 54.207(a) states, "The term service area means a geographic area established by a state commission for the purpose of determining universal service obligations and support mechanisms. A service area defines the overall area for which the carrier shall receive support from federal universal service support mechanisms".

Cause:

Nexus lacks complete and accurate mapping data for matching subscribers' residential addresses with ILEC exchanges.

Effect:

Because complete and accurate mapping data was not utilized to match subscribers' addresses with the SAC, Nexus is at significant risk of violating Lifeline Program rules and improper reimbursement claims for ineligible subscribers. We noted improper payments of $18.50 (out of $8,658 payments examined) to Nexus for subscribers who did not reside in Nexus' designated SACs.

Recommendations:

We recommend that Nexus' management:

2.1 Enhance controls over the Lifeline Program enrollment process to ensure that the subscribers' residential addresses are within Nexus' designated service area prior to enrollment.

2.2 Calculate and reimburse USF for all improper payments made to Nexus for the Lifeline Program services provided to subscribers in Service Area Code 349019.

USAC's Response:

USAC's management concurred with Finding No.2, *Ineligible Subscribers*, and associated recommendations. See Appendix C for USAC's complete response.

Finding No. 3 – Subscribers' Full Names Omitted on Application Forms

Nexus may have improperly received reimbursements from the Universal Service Fund for Lifeline Program subscribers who did not provide their full names, as required by the Lifeline Program rules. Lifeline Program rules do not allow subscribers to enroll in the Lifeline Program with partial names or initials. We analyzed the Subscriber Listing supporting Nexus' FCC Forms 497 for July 2014, August 2014 and June 2015, and identified 157 subscribers who may not have provided their full names (See Table 3, Insufficient Subscriber Names). Audit tests for the month of July 2014 found 126 subscribers with two letter first and/or last names, and two subscribers who had one-letter first names. Our audit tests for August 2014 noted 136 subscribers with two letter first and/or last names and two subscribers who had one-letter first names. In addition, our tests for June 2015 identified 73 subscribers with two letter first and/or last names, and one subscriber with one letter as their first name.

Nexus' management's response states, "The largest group of allegedly "insufficient" names is those in which the subscriber uses two initials. Just a few examples are [redacted]. The use of initials in lieu of "full names" is not uncommon ….Examples of subscriber names found to be "insufficient" because they are short include [redacted]. Obviously, these are all commonly held first names. Again, each subscriber produced a form of identification that was reviewed by Nexus personnel and each subscriber was accepted into the NLAD." The Lifeline Program Rule requires each prospective subscriber to provide subscriber's full name and does not provide an option for the use of initials in lieu of subscriber full name.

Table 3: Insufficient Subscriber Names

Month of Subscriber Listing	Total Number of Subscribers	Number of Questioned One Letter Names	Number of Questioned Two Letter Names	Total Number of Subscribers Names Questioned
July 2014	53,166	2	126	128
August 2014	57,039	2	136	138
June 2015	31,499	1	73	74
Total Insufficient Names		5	335	340
Total Number of Questioned Subscriber Names (Subscribers only counted in one category to avoid double counting)				**157**

Nexus' management did not concur with the draft audit report findings and recommendations.

Criteria:

Title 47 CFR § 54.410(d) (2) (i) states, "(d) Eligibility Certifications. Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber's eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that in clear, easily understood language:

(2) Require each prospective subscriber to provide the following information:

(i) The subscriber's full name"

Cause:

Nexus' controls for compliance with the Lifeline Program rules and USAC's record keeping requirements were ineffective.

Effect:

The sample disclosed potential improper payments of $1,452.25 to Nexus for subscribers with one or two letter designations for first or last names. In Program Year 2014/2015, Nexus claimed and was paid a total of $591,179 for subscribers with one or two letter designations for their first or last names. Enrollment of subscribers with partial names or initials increased the risk that Nexus received improper payments from USF for ineligible subscribers.

Recommendations:

We recommend that Nexus' management:

3.1 Enhance controls over the enrollment process to ensure compliance with USAC's record keeping requirements and ensure prospective subscribers provide full names prior to enrollment in the Lifeline Program.

3.2 Consult with USAC to confirm the identity and eligibility for Lifeline Program support for subscribers who provided one or two letters as their full first or last name.

USAC's Response:

USAC's management concurred with Finding No.3, *Subscribers' Names Omitted on Application Forms*, and associated recommendations. See Appendix C for USAC's complete response.

APPENDIX A – OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine if Nexus Communications, Inc. (Nexus) complied with Title 47 of the Code of Federal Regulations, 47 CFR § 54.400 to 54.422 and related FCC Orders regarding the Lifeline Program. In addition, we assessed whether Nexus had adequate and effective controls to ensure USF Funds were protected and used for the intended purposes.

The audit scope was July 1, 2014 through June 30, 2015. We conducted a site visit to Nexus' headquarters in Columbus, Ohio the week of August 24, 2015.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards specified in the Government Accountability Office's Government Auditing Standards, December 2011 Revision. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We performed audit procedures, as deemed appropriate, to meet the audit objectives as follows:

- Reviewed policies, procedures, laws and regulations applicable to the Lifeline Program including 47 CFR § 54.400 to 54.422.
- Interviewed USAC's management to gain an understanding of how carriers obtain reimbursement using FCC Form 497 – Lifeline Worksheet claims.
- Obtained Nexus management's written responses to our Internal Control Questionnaire to evaluate its design and implementation of internal controls related to its compliance with Lifeline Program rules.
- Performed process walkthroughs to gain an understanding of the Nexus' s process for (1) confirming the eligibility of its subscribers prior to providing subscribers an activated devise intended to provide access to Lifeline-supported services; (2) subscriber certification and recertification; (3) communicating service offerings to subscribers; (4) de-enrollment of subscribers; and (5) supervisory review and approval of FCC Form 497.
- Compared the total number of subscribers that Nexus reported to USAC to Nexus' underlying subscriber listings applicable to the audit scope.
- Analyzed Nexus' subscriber listings to identify discrepancies.

- Evaluated Nexus management's explanations for any significant differences between its subscriber listings and its FCC Forms 497 and FCC Forms 555.
- Reviewed Nexus' policies and procedure to gain an understanding of how management implemented the provisions of the Lifeline Program, and documentation maintained to support Lifeline Program data.
- Reviewed USAC Audit Report No: LI2014BE002, "Independent Auditor's Report on Nexus Communication, Inc.'s Compliance with Low Income Support Mechanism Rules," dated August 2014, in accordance with OMB Circular No. A-50, Audit Follow-up, to determine if audit report recommendations have been addressed.
- Performed substantive tests of provisions of FCC Rules that are relevant to audit objectives.

APPENDIX B – NEXUS' RESPONSE

Government Auditing Standards require we obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report, as well as any planned corrective actions. Nexus' management, generally, did not concur with the draft audit report. However, Nexus's the written comments were not responsive in that they did not address the audit report's findings, conclusions, and recommendations. Therefore, we did not append a copy of Nexus' management comments to the audit report.

APPENDIX C – USAC'S RESPONSE

Universal Service
Administrative Co.

Via E-Mail

March 23, 2017

Shona Mollison
Lani Eko & Company, CPAs, PLLC
110 S Union Street, Suite 101
Alexandria, Virginia 22314

Re Referral of Draft Final Audit Report No. 15-AUD-07-05 Audit of Nexus Communications, Inc. Compliance with FCC's Lifeline Rules

Dear Ms, Mollison:

In response to your draft final audit report of Nexus Communications, Inc.'s (Nexus) compliance with the Federal Communications Commission's (FCC or Commission) Lifeline program rules, the Universal Service Administrative Company (USAC) is providing the following responses below.

As a threshold matter, we note that Nexus is no longer operating as an eligible telecommunications carrier (ETC) for the Lifeline program.

Finding Recommendations and USAC Responses:

l. *Record Keeping*

<u>USAC Response:</u> USAC generally agrees that Nexus did not maintain complete and accurate records for the Lifeline Program. USAC will conduct a further review of Nexus de-enrollments for program years 2014 and 2015 to ensure subscriber eligibility and proper receipt of Lifeline support payments.[1]

2. *Ineligible Subscribers*

<u>USAC Response</u>; USAC agrees that Nexus claimed and received Lifeline Program reimbursements for two subscribers who resided outside the designated SAC.

[1]USAC notes that Nexus relinquished its ETC designation Consequently, USAC may have difficulty conducting the review described in Recommendation 1.5.

Universal Service
Administrative Co.

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3. *Subscriber s Full Names Omitted on Application Forms*

USAC Response: USAC agrees that Nexus may have improperly received reimbursements from the Universal Service Fund for Lifeline program subscribers who did not provide their full names.

Please feel free to contact me if you have any questions or need further information.

Sincerely,

Erica W. Myers
Associate General Counsel
Director of Compliance and Risk
Universal Service Administrative Co.

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