

High Cost Verification Process



Universal Service
Administrative Co.

Agenda

- Program Objectives
- Pre-Verification Activities
- Planning
- Testing
- Reporting
- Post-Verification Activities



Program Objectives

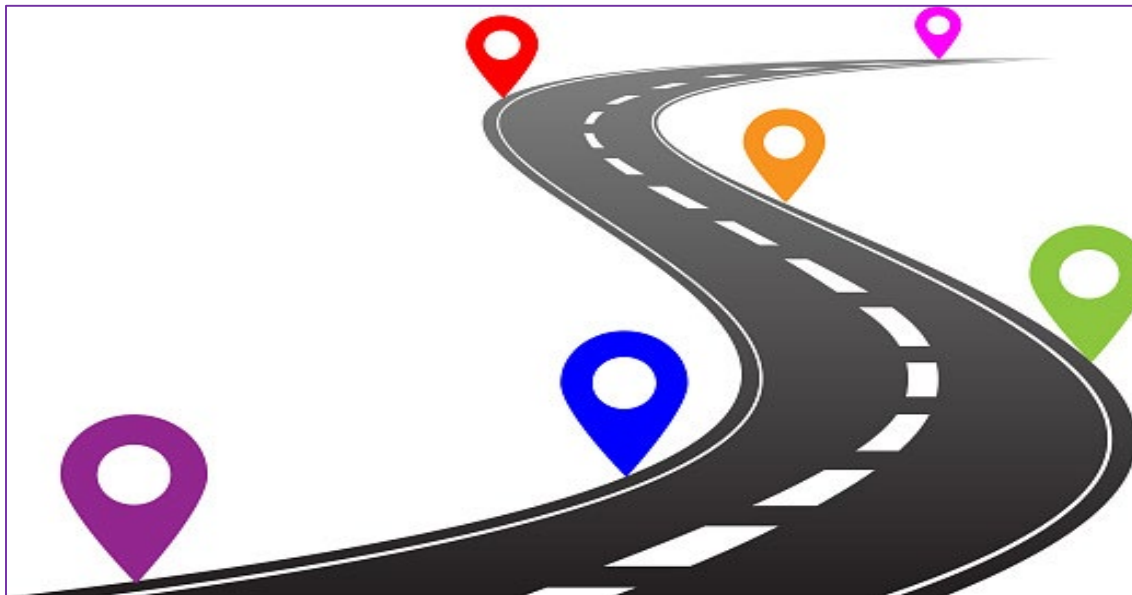
- Carriers accept funding in exchange for deploying broadband in eligible census blocks
 - Millions of locations make it impractical to manually verify each record certified in the HUBB
 - Validations are automated in the HUBB and performed on each record submitted
- Milestone Deployment Example:
 - Required Speed (A-CAM I) - 10 Mbps downstream and 1 Mbps upstream with deployment dates as detailed in the chart below. ****Terms vary depending on HC Program***

Year	Program Year	Deploy By	Report By	Speed Tiers 3+ (10/1 Mbps+) Milestone
1	2017	12/31/2017	3/1/2018	N/A
2	2018	12/31/2018	3/1/2019	N/A
3	2019	12/31/2019	3/1/2020	N/A
4	2020	12/31/2020	3/1/2021	40%
5	2021	12/31/2021	3/1/2022	50%
6	2022	12/31/2022	3/1/2023	60%
7	2023	12/31/2023	3/1/2024	70%
8	2024	12/31/2024	3/1/2025	80%
9	2025	12/31/2025	3/1/2026	90%
10	2026	12/31/2026	3/1/2027	100%

Pre-Verification Activities

Milestone Monitoring

- Carriers must meet their deployment milestone based on locations they certified in the HUBB by the March 1 filing deadline.
- High Cost team works with USAC HC Reporting group to generate report of certified locations vs. obligations as of a given point in time.
 - Performed for each carrier each year for interim milestones & at final milestone.
 - May be performed for multiple speed tiers depending upon the fund being reviewed.



Milestone Monitoring

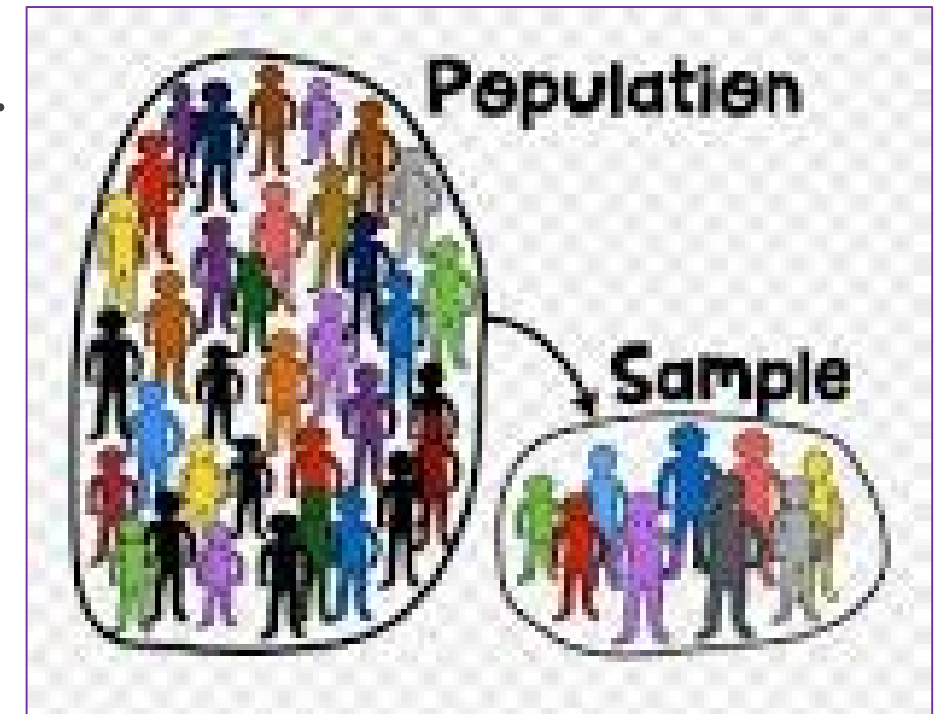
- Non-compliance:
 - If any carriers did not certify enough locations to meet their deployment milestone, USAC calculates the compliance gap percentage and relevant non-compliance tier
 - The FCC will then send the carrier a default letter and instruct USAC to initiate non-compliance remedial measures. These remedial measure include quarterly reporting and possibly reductions in support
 - USAC develops subsequent quarterly reports to evaluate whether the gap was closed and whether remedial measures should be removed

Tier	Compliance Gap	Non-Compliance Measure
1	5% to less than 15%	Quarterly reporting
2	15% to less than 25%	Quarterly reporting + withhold 15% of monthly support
3	25% to less than 50%	Quarterly reporting + withhold 25% of monthly support
4	50% or more	Quarterly reporting + withhold 50% of monthly support for six months; after six months withhold 100% of monthly support and recover percentage of support equal to compliance gap plus 10% of support disbursed to date

FCC 14-190

Sampling Plan

- The sampling plan utilizes specific parameters to derive a statistically valid sample size for all carriers subject to verification.
 - Statistical validity is key to the ability to extrapolate failures to larger, untested population
 - Results can be used to adjust sampling plans in subsequent years and to reduce sampling for a given carrier if prior performance is successful
- The Verification Team coordinates with statistician.
- FCC approval is obtained for each sampling plan.



Process Questionnaire and Review of Example Supporting Documentation

- USAC uses a Process Questionnaire to help the Verification Team understand the steps and methodology used by carriers to identify and report deployment to locations in eligible A-CAM I census blocks.
- It also gives us the opportunity to work with the carrier to ensure the documentation they plan to submit will be sufficient to support speed and deployment date verification objectives.
 - Documentation may differ substantially from one review to the next and is also impacted by the internal capabilities of the company (a large price cap vs. a small county telephone company).

Company Contact Information

1. Please complete the table below with information for any **contacts** who will be involved in communications regarding the verification. Please specify which contact will be the primary contact, as well as which contacts should have access to our secure file sharing platform, Box, which will be used to transfer files such as supporting documentation and letters containing the results of the verification between parties. Please add or delete rows as necessary.

Name	Title	Email	Phone Number	Primary Contact? (Yes or No)	Box Access? (Yes or No)

Planning

Planning

- Verification samples are selected as per sampling plan.
 - Reporting team extracts population of locations from HUBB
 - Excel file handed to team containing random number assignments for random sample
 - Team selects enough random samples to match sampling requirement
- The Verification Team uses the completed questionnaire to populate announcement letter.
- Announcement letter and sample locations shared with carrier via Box.



Testing

Testing

- Geocoding analysis is performed internally.
 - First goal is to ensure eligibility of structures – some structures such as schools or destroyed buildings are considered ineligible structures
 - Second goal is to ensure geocoded addresses are reasonably close to certified coordinates
- Minimum required speed must be addressed. (*Speed objective*)
- Location must have been deployed by the milestone for which it was claimed. (*Date objective*)
- If Carrier claims more than one unit at a location record, the team tests to ensure multiple units exist at those coordinates (e.g. an apartment building). (*Unit count objective*)
- Conclusions (Pass/Fail) for each sampled location is subject to USAC internal quality reviews before finalizing the Carrier's verification results.

Reporting

Closure Letter

- The ultimate goal of the entire review is to identify the “true deployment” and determine whether it meets or exceeds the milestone obligation at a given point in the program.
- Closure letter contains the results of the verification, which includes all failed locations. The carrier has 10 business days to submit a response to the letter.
 - Depending on the type of response USAC receives, there are different outcomes:
 - Simple response agreeing with the results of the verification (**common**)
 - Complex response disputing the results of the verification (**less common**) which requires USAC’s response
 - Components merged together to form the full closure letter
- Exit conference may be conducted using PowerPoint via WebEx.
- If carrier is found to be in a compliance gap, FCC issues letter and penalties apply.

Post-Verification Activities

Post-Verification Activities

- Carrier Feedback Survey
- Process Improvements based on carrier feedback
- Compliance gap monitoring – quarterly reports showing whether the identified gaps remain
 - Can lead to further penalties if gap grows or to removal of penalties if gap is closed



Questions?

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Find more information on our [Fund Verification Reviews USAC page!](#)



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