



CALIFORNIA TELECONNECT FUND PERFORMANCE AUDIT

Conterra Wireless Broadband, LLC
(U-7057-C)

July 1, 2022, through June 30, 2023

Utility Audits, Risk and Compliance Division
Utility Audits Branch
December 16, 2024



MEMBERS OF THE TEAM

Angie Williams, Director

Masha Vorobyova, Assistant Director

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Cheryl Livingston, Lead

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You can contact our office at:

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Utility Audits, Risk and Compliance Division
400 R Street, Suite 221
Sacramento, CA 95811**

PUBLIC UTILITIES COMMISSION

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Transmitted via e-mail

December 16, 2024

Mark Gossett, Interim Chief Financial Officer
Conterra Wireless Broadband, LLC
5301 77 Center Drive
Charlotte, NC 28217

Dear Mark Gossett:

**Final Report Transmittal Letter—Audit of Conterra Wireless Broadband LLC’s
California Teleconnect Fund program for the period of July 1, 2022, through
June 30, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of the California Teleconnect Fund program’s claim reported by Conterra Wireless Broadband, LLC’s (Conterra) for the period of July 1, 2022, through June 30, 2023. The final audit report is enclosed.

Our audit disclosed no findings requiring a response; therefore, we are issuing the report as final. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

We appreciate Conterra’s assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Sharmin Wellington, Supervisor, at (916) 928-9838.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

cc: See next page

Mark Gossett, Interim Chief Financial Officer
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December 16, 2024
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cc: Andrew Nisbet, Vice President Controller, Conterra
Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Ana Maria Johnson, Deputy Executive Director, Broadband and Communications,
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EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the California Teleconnect Fund (CTF) program's claims reported by Conterra Wireless Broadband, LLC (Conterra) for the audit period of July 1, 2022, through June 30, 2023.

Our audit objectives were to determine whether Conterra's claims from the CTF were accurate, properly supported, incurred for eligible participants, services, and activities; and whether Conterra applied the applicable CTF discount to the eligible participants, in accordance with Public Utilities (PU) Code sections 280 and 884, CPUC Decisions (D.) 96-10-066, D.15-07-007, and D.19-04-013, and other applicable CTF program's rules, regulations, and requirements.

Based on the procedures performed, samples tested, and evidence gathered, we found that Conterra's claims from CTF program were accurate, properly supported, incurred for eligible participants, services, and activities; and Conterra applied the applicable CTF discount to eligible participants in compliance with applicable PU Code sections, CPUC decisions, resolutions, and applicable criteria as outlined in this report for the audit period of July 1, 2022, through June 30, 2023.

AUDIT REPORT

Background

California Teleconnect Fund Program

The California Public Utilities Commission (CPUC) implemented the California Teleconnect Fund (CTF) in 1996 pursuant to Public Utilities (PU) Code section 280(a). CPUC D.96-10-066 created the CTF program to promote innovation in the delivery and use of advanced communication services, encourage the diversity of choices among services and providers, and ensure affordable and widespread access to California's broadband networks and technology. CTF program aims to bring every Californian direct access to advanced communication services in their local communities, particularly those with lower rates of internet adoption and greater financial need.

CTF program provides support for the cost of advanced communication services to approved participants, including schools, libraries, hospitals, health clinics, community colleges, 2-1-1 referral providers, and community-based organizations (CBOs). Participants receive a 50 percent discount on monthly recurring charges (MRC) of eligible services, such as Ethernet and Fiber Optics. CTF support is adjusted to account for federal E-rate program support for all participants in the following categories: Public Schools, Private Schools, and Libraries, and approved Rural Health Care Program (RHCP) participants. CTF discount is applied to the balance of eligible charges remaining after the federal E-rate and federal RHCP support is applied. Service providers apply the discount within participants' monthly bills, then submit claims for reimbursement to the CPUC Communications Division (CD). CTF program is funded by California ratepayers through a surcharge assessed on revenues collected by telecommunications companies for intrastate telecommunications' products and services or the number of active access lines that a telephone corporation operates in California¹.

The CPUC's CD administers the CTF program in coordination with the CTF Administrative Committee. CD processes applications from entities requesting eligibility for the program, processes claims for reimbursement from carriers, prepares annual budgets, proposes changes to the surcharge, and performs other administration tasks. The CTF Administrative Committee advises CPUC regarding the development, implementation, and administration of the program.

Conterra Wireless Broadband, LLC

Conterra Ultra Broadband Holding, Inc., (Conterra Networks) was founded in 2001 and is the owner of multiple business entities. Conterra Networks is owned by affiliates of All Pension Group (APG) and Fiera Infrastructure, along with participation by the company's senior management team. Conterra Networks encompasses Conterra Wireless Broadband, LLC (Conterra), which is a North Carolina limited liability company that was established in 2004.

Conterra claimed and was reimbursed a total of \$394,112 in subsidy from CTF during the audit period of July 1, 2022, through June 30, 2023, for public schools ranging approximately between 18-22 participants per month.

¹ Effective April 1, 2023, pursuant to D.22-10-021.

Table 1. Claim Information During Audit Period

Claim Period	Claimed Amount	Reimbursed Amount
July 2022	\$ 32,120	\$ 32,120
August 2022	34,171	34,171
September 2022	32,972	32,972
October 2022	32,761	32,761
November 2022	32,761	32,761
December 2022	32,761	32,761
January 2023	32,761	32,761
February 2023	32,761	32,761
March 2023	32,761	32,761
April 2023	32,761	32,761
May 2023	32,761	32,761
June 2023	32,761	32,761
Total	<u>\$ 394,112</u>	<u>\$ 394,112</u>

Audit Authority

UAB conducted this audit under the general authority outlined in the PU Code sections 270-274, 314.5, 314.6, 581, 582, and 584. UAB is authorized to verify the CTF program claims for the purposes of ensuring regulatory compliance of the CTF program.

Objective and Scope

Our audit objectives were to determine whether Conterra’s claims from the CTF were accurate, properly supported, incurred for eligible participants, services, and activities and whether Conterra applied the applicable CTF discount to the eligible participants, in accordance with PU Code sections 280 and 884, CPUC D. 96-10-066, D.15-07-007, and D.19-04-013, and other applicable CTF program’s rules, regulations, and requirements.

The scope of our audit covered Conterra’s claims from the CTF totaling \$394,112 for the audit period of July 1, 2022, through June 30, 2023.

Methodology

In planning our audit, we gained an understanding of the CTF program and Conterra’s operations and identified relevant criteria, by reviewing Conterra’s policies and procedures, relevant PU Code sections, rules, regulations, CPUC decisions, resolutions, orders, directives, and interviewing Conterra’s personnel.

We conducted a risk assessment, including evaluating whether Conterra’s key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, observing processes, or performing walkthroughs, and testing transactions. Deficiencies in internal control, if identified during our audit and determined to be significant within the context of our audit objectives, would have been included in this report.

Additionally, we assessed the reliability of the data extracted from Conterra’s billing system. Our assessment included examining extracted reports, tracing data between differing report formats to verify completeness, and tracing report data to source documents. We determined the data to be sufficiently reliable to address the audit objectives.

We developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. To achieve our audit objectives, we did the following:

- Reviewed applicable PU Code sections, CPUC decisions and resolutions to gain an understanding of CTF program, including eligibility and the claim filing process.
- Reviewed Conterra’s background information including its policies and procedures to gain an understanding of the nature of the utility and its responsibility over CTF program.
- Assessed significance by performing analyses of reimbursement claims data and evaluating program requirements.
- Obtained an understanding of Conterra’s key internal controls relevant to CTF program, such as reviewing its processes over reimbursement claims, discounts, and participant/services eligibility, and assessed the design, implementation, and operating effectiveness of selected controls that are significant to the audit objectives by:
 - interviewing key personnel and administering an internal control questionnaire,
 - reviewing Conterra’s policies and procedures, and specifically assessing the recording and reporting of CTF claims data,
 - performing walkthroughs of the reimbursement claims, and
 - tracing selected transactions and/or participant eligibility to source documents.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- Selected August 2022 and January 2023 claims totaling \$34,171 and \$32,761 respectively, to perform testing procedures, as shown in Table 2 below:

Table 2. Claims Selected for Testing

Months Selected	Claimed Amount	Percent of Total Claims	Participants Selected	Percent of Total Participants
August 2022	\$ 34,171	9%	6	27%
January 2023	32,761	8%	4	18%
Total Sampled	\$ 66,932	17%		
Total Claimed*	<u>\$ 394,112</u>		<u>22</u>	

*For the selected samples, errors found, if any, were not projected to the intended (total) population.

- For the selected months identified above, performed substantive testing procedures including the following:
 - Verifying claims were approved, accurately computed, and properly supported
 - obtained the E-rate Funding Commitment Decision Letters (FCDL) for eligible participants to identify the approved federal discount amounts;
 - recalculated the CTF amounts claimed for the selected participants to verify the claimed amounts were accurate;
 - recalculated the total monthly CTF amounts claimed for reimbursement to verify the claimed amounts were accurate;
 - obtained the contracts for the selected participants to verify the monthly reoccurring charges (MRC) claimed were accurate; and
 - verified claims for reimbursement were properly approved before submittal.
 - Ensuring discounts (E-rate and CTF) were properly applied
 - traced FCDL discount to Conterras claims to verify that the discount was applied accurately;
 - traced the approved E-rates to the reimbursement claims to identify any disparity in the percentages;
 - recalculated the E-rate discount on the participants’ billing invoices to verify the discounts reconciled to the FCDLs; and
 - recalculated the CTF discount on the participants’ billing invoices to verify that the correct discount was applied.
 - Verifying eligible services and participants were claimed
 - Selected the September 2022 claim to perform the following testing procedures, as shown in Table 3 below:

Table 3. Claim Selected for Testing

Month Selected	Claimed Amount	Percent of Total Claim	Participants Selected
September 2022	\$ 32,972	8%	15
Total Claimed*	\$ 394,112	8%	22

*For the selected samples, errors found, if any, were not projected to the intended (total) population

- obtained and reviewed service provider’s list of offered services to verify the services were CTF eligible;
- compared the CPUC’s CTF eligible services list to the participant’s service types on the claims to determine only eligible services were claimed;
- obtained and reviewed CPUC’s CTF participant list to verify the participants were approved for the CTF program; and
- verified the participants eligibility start and end dates on the CTF participant list, to assess whether the participants were eligible for the CTF discount during the audit period.

We did not audit Conterra’s financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that Conterra’s claims from the CTF were accurate, properly supported, incurred for eligible participants, services, and activities; and whether Conterra applied the applicable CTF discount in accordance with the applicable PU Code sections, CPUC decisions, and other applicable CTF program’s rules, regulations, and requirements. We considered Conterra’s internal controls only to the extent necessary to plan the audit and achieve our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). GAGAS 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.

Conclusion

Based on the procedures performed, samples tested, and evidence gathered, we found that Conterra’s claims from CTF program were accurate, properly supported, incurred for eligible participants, services, and activities; and Conterra applied the applicable CTF discount to eligible participants in compliance with applicable PU Code sections, the CPUC decisions, resolutions, and applicable criteria as outlined in this report for the audit period of July 1, 2022, through June 30, 2023.

Follow-up on Prior Audit Findings

We have not previously conducted an audit of Conterra’s CTF program claims within the last ten years. Furthermore, Conterra did not identify any prior engagements that are significant within the context of our audit objectives that would require us to determine if appropriate corrective actions have been taken to address potential findings and recommendations.

Views of Responsible Officials

We discussed the audit results with Conterra representatives at an exit conference held on November 18, 2024. At the exit conference, we stated that the final report will include the views of responsible officials. Because there were no audit findings requiring a response, we are issuing the report as final.

Restricted Use

This audit report is intended solely for the information and use of Conterra and CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the CPUC website at [Audit Reports by Industry](#).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division