



# CALIFORNIA TELECONNECT FUND PERFORMANCE AUDIT

Astound Broadband  
(U-6184-C)

July 1, 2022, through June 30, 2023

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
January 6, 2025



## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Sharmin Wellington, Program and Project Supervisor**

**Catlin Ha, Lead**

**Tristesse Gaian, Staff**

**A digital copy of this report can be found at:**

**[Audit Reports by Industry \(ca.gov\)](#)**

**You can contact our office at:  
California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

January 6, 2025

James Holanda  
President & CEO  
Astound Broadband LLC  
650 College Road East, Suite 3100  
Princeton, NJ 08540

Dear James Holanda:

**Final Report Transmittal Letter—Audit of Astound 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 claims reported by Astound Broadband, LLC (Astound) for the audit period of July 1, 2022, through June 30, 2023. The final 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 Astound’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

James Holanda, President & CEO  
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cc: Michael O'Day, Senior Vice President, Astound Broadband, LLC  
Jared Sonne, Senior Vice President and General Manager for California, Astound  
Broadband, LLC  
Steven J. Simmons, Chairman, Astound Broadband, LLC  
John Feehan, Chief Financial Officer, Astound Broadband, LLC  
Patrick Knorr, Chief Commercial Officer, Astound Broadband, LLC  
Rachel Peterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC  
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## EXECUTIVE SUMMARY

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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 Astound Broadband, LLC (Astound) for the audit period of July 1, 2022, through June 30, 2023.

Our audit objectives were to determine whether Astound's claims from the CTF were accurate, properly supported, incurred for eligible participants, services, and activities; and whether Astound applied the applicable discount to eligible participants, in accordance with applicable 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 Astound's claims from CTF program were accurate, properly supported, incurred for eligible participants, services, and activities; and Astound 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

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### 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 California<sup>1</sup>.

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.

#### **Astound Broadband, LLC**

Astound Broadband, LLC (Astound), incorporated in Washington state, is the sixth largest U.S. internet, TV and phone operator and offers broadband internet services to residential and business customers in ten states and Washington D.C. Astound is the parent company of four subsidiaries: RCN Corporation, Grande Communications, Digital West, and Wave Broadband. Wave and Digital West were acquired by RCN and Grande in January 2021 and rebranded as Astound.

Of the four subsidiaries, only Wave has filed CTF claims with CPUC in the past. Beginning September 2022, the service provider started filing Wave claims under Astound Broadband. Astound provides internet services to schools, community colleges, libraries, health clinics, and community-based organizations (CBOs).

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<sup>1</sup> Effective April 1, 2023, pursuant to D.22-10-021.



Astound claimed \$376,753 but was reimbursed \$376,641 (due to prior year adjustment of \$112) in subsidy from CTF during the audit period of July 1, 2022, through June 30, 2023. During the audit period, Astound claimed services for approximately 40 participants per month, of which some participants had services at multiple locations. Claims for reimbursement are summarized in Table 1 below:

Table 1. Claim Information During Audit Period

Claim Period	Claimed Amount	Reimbursed Amount
July 2022	\$ 30,557	\$ 30,445
August 2022	30,911	30,911
September 2022	31,127	31,127
October 2022	30,788	30,788
November 2022	30,889	30,889
December 2022	30,889	30,889
January 2023	31,506	31,506
February 2023	31,170	31,170
March 2023	32,229	32,229
April 2023	32,229	32,229
May 2023	32,229	32,229
June 2023	32,229	32,229
Total	<u>\$ 376,753</u>	<u>\$ 376,641</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 Astound's claims from the CTF were accurate, properly supported, incurred for eligible participants, services and activities; and whether Astound applied the applicable CTF discount to 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 Astound's claims from the CTF totaling \$376,753 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 Astound's operations and identified relevant criteria, by reviewing Astound's policies and procedures, relevant PU Code sections, rules, regulations, CPUC decisions, resolutions, orders, directives, and interviewing Astound's personnel.



We conducted a risk assessment, including evaluating whether Astound'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 that 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 Astound's participant 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 Astound'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 Astound's key internal controls relevant to CTF program, such as reviewing its processes over reimbursement claims, and participant billing/invoices and discounts, 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 Astound'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 to source documents.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- Selected September 2022 and May 2023 claims totaling \$31,127 and \$32,229 respectively, and selected the same 15 participants, 10 participants selected in internal control testing and 5 additional participants selected for substantive testing for a total of 15 participants, from each month to perform testing procedures, as shown in Table 2 below:

Table 2. Claims Selected for Testing

<b>Months Selected</b>	<b>Claimed Amount</b>	<b>Percent of Total Claims</b>	<b>Participants Selected</b>	<b>Percent of Total Participants</b>
September 2022	\$ 31,127	8%	15	36%
May 2023	32,229	9%	15	36%
Total Sampled	\$ 63,356	17%		
Total Claimed*	<u>\$ 376,753</u>		<u>42</u>	

\*For the selected samples, errors found, if any, were not projected to the intended (total) population. The total number of participants is the average claimed for the audit period.

- For the selected months and participants 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 service order contracts for the selected participants to verify the monthly recurring charges (MRC) claimed amounts were accurate; and
    - verified claims for reimbursement were properly approved before submittal.
  - Ensuring discounts (E-rate and CTF) were properly applied
    - traced the approved E-rates support amount on the FCDL 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
    - 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 Report to verify the participants were approved for the CTF program; and
  - verified the participants eligibility start and end dates on the CTF Participant Report, to assess whether the participants were eligible for the CTF discount during the audit period.
- Additionally, verified the same services were not claimed by more than one service provider for four participants that were also included in other service providers' claims during the same audit period. For the four participants, we performed the following procedures to ensure duplicative services were not reimbursed:
- compared participant information such as name, address, and circuit identification number on the participant's billing invoice to other service providers' billing information to ensure the participants' service information is unique; and
  - compared participant information such as name and address to other service providers' participant lists to confirm the participants were not claimed twice for the same services.

We did not audit Astound's financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that Astound's claims from CTF program were accurate, properly supported, incurred for eligible participants, services, and activities; and whether Astound applied the applicable CTF discount to eligible participants, in accordance with the applicable PU Code sections, CPUC decisions, and other applicable CTF program's rules, regulations, and requirements. We considered Astound'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 Astound's claims from the CTF program were accurate, properly supported, incurred for eligible participants, services, and activities; and Astound 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 July 1, 2022, through June 30, 2023.

## Follow-up on Prior Audit Findings

We have not previously conducted an audit of Astound's CTF program claims within the last ten years. Furthermore, Astound 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 Astound's representatives at an exit conference held on November 20, 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 Astound 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 \(ca.gov\)](#).

*Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division