

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
Alaska Communications Systems Holding, Inc.)
File No.: EB-IHD-17-00023568
CD Acct. No.: 202432080014
FRN: 0004991444

ORDER

Adopted: May 8, 2024

Released: May 8, 2024

By the Chief, Enforcement Bureau:

1. The Enforcement Bureau (Bureau) of the Federal Communications Commission (FCC or Commission) has entered into a Consent Decree to resolve its investigation into whether Alaska Communications Systems Holding, Inc. (ACS) violated the Commission’s Rural Health Care (RHC) Program rules governing competitive bidding and the determination of rural rates. To settle this matter, ACS agrees to a total settlement value of \$6,298,526 to fully resolve the investigation and related matters, which includes (a) repayment to the Universal Service Fund in the amount of \$5,298,526 and (b) a credit of \$1,000,000 for ACS’s withdrawal of claims and appeals for certain Funding Years (FY) 2015–2018 FRNs, currently pending before the Commission. ACS also agrees to implement enhanced compliance measures in connection with its participation in the RHC Program. The FCC’s rules governing the RHC Program are vital to protecting the Program and its resources from waste, fraud, and abuse. This action will help further the Commission’s goal of supporting health care providers in delivering telehealth services to their rural communities.

1 See 47 CFR §§ 54.600-54.680 (2019). Citations to the CFR refer to the pre-October 1, 2019 version.

2 See 47 CFR §§ 54.603, 54.607 (2019).

3 The Consent Decree resolves USAC’s audit into ACS’s RHC Program practices for certain FY 2012, 2014-2016 Funding Request Numbers (FRNs).

4 ACS filed an Application for Review on October 21, 2019, related to a funding request linked to an erroneous contract termination date and two additional Applications for Review on October 13, 2020, related to denied funding associated with the provision of ineligible equipment and improper rural rate calculations.

5 See 47 CFR §§ 54.600-54.680 (2019). The RHC Program includes two subprograms: the Telecommunications Program (Telecom Program) and the Healthcare Connect Fund (HCF). The Telecom Program provides support for the difference between the rural and urban rates for telecommunications services. See Promoting Telehealth in Rural America, WC Docket No. 17-310, Report and Order, 34 FCC Rcd 7335, 7337, para. 4 (2019) (2019 Report and Order); Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9111-9112 (1997). The HCF promotes the use of broadband services and the formation of health care consortia by providing a 65% discount on an array of advanced telecommunications and information services such as Internet access, dark fiber, business data, traditional Digital Subscriber lines, and private carriage services. See 2019 Report and Order, 34 FCC Rcd at 7337, para. 4; see also Rural Healthcare Support Mechanism, WC Docket No. 02-60, Report and Order, 27 FCC Rcd 16678 (2012) (establishing the Healthcare Connect Fund). While the Consent Decree references the RHC Program generally, the apparent rule violations at issue in the Consent Decree concern the Telecom Program.

2. After reviewing the terms of the Consent Decree and evaluating the facts before us, we find that the public interest would be served by adopting the Consent Decree and terminating the associated investigation into ACS's compliance with the RHC Program rules.

3. In the absence of material new evidence relating to this matter, we do not set for hearing the question of ACS's basic qualifications to hold or obtain any Commission license or authorization.⁶

4. Accordingly, **IT IS ORDERED** that, pursuant to the authority delegated by sections 0.111 and 0.311 of the Commission's rules, 47 CFR §§ 0.111, 0.311, the attached Consent Decree **IS ADOPTED** and its terms incorporated by reference.

5. **IT IS FURTHER ORDERED** that the above-captioned matter **IS TERMINATED** in accordance with the terms of the attached Consent Decree.

6. **IT IS FURTHER ORDERED** that a copy of this Order and Consent Decree shall be sent by first class mail and certified mail, return receipt requested to Bennett L. Ross, Esq., Wiley Rein LLP, 2050 M St., NW, Washington, DC, 20036.

FEDERAL COMMUNICATIONS COMMISSION

Loyaan A. Egal
Chief
Enforcement Bureau

⁶ See 47 CFR § 1.93(b).

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Alaska Communications Systems Holdings, Inc.) File No.: EB-IHD-17-00023568
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CONSENT DECREE

1. The Enforcement Bureau (Bureau) of the Federal Communications Commission (FCC or Commission) and Alaska Communications Systems Holdings, Inc. (ACS), by their authorized representatives, hereby enter into this Consent Decree for the purpose of terminating the Bureau’s investigation, as defined below, and related audit by the Universal Service Administrative Company (USAC), into whether ACS violated the Commission’s Rural Health Care (RHC) Program Rules¹ in connection with ACS’s apparent violations of the Commission’s competitive bidding and rural rate setting rules and related matters.² To resolve these matters, ACS agrees, through this Consent Decree, to: (a) a total settlement value of \$6,298,526; and (b) implement enhanced compliance measures in connection with its participation in the RHC Program.

I. DEFINITIONS

- 2. For the purposes of this Consent Decree, the following definitions shall apply:
(a) “Act” means the Communications Act of 1934, as amended.³
(b) “ACS” or “Company” means Alaska Communications Systems Holdings, Inc. and its subsidiaries, predecessors-in-interest, and successors-in-interest.
(c) “Adopting Order” means an order of the Bureau adopting the terms of this Consent Decree without change, addition, deletion, or modification.
(d) “Audit” means the audit commenced by USAC’s Audit and Assurance Division (AAD) in RH2017SP001 regarding ACS’s compliance with the RHC Program Rules.
(e) “CD Acct No.” means account number 202432080014, associated with payment obligations described in paragraph 22 of this Consent Decree.
(f) “Commission” and “FCC” mean the Federal Communications Commission and all of its bureaus and offices.
(g) “Communications Laws” means collectively, the Act, the Rules, and the published and promulgated orders and decisions of the Commission to which ACS is subject

¹ See 47 CFR §§ 54.600-54.680 (2018). The description of the RHC Program herein refers to the Commission’s rules in effect during the time period covered by the investigation, prior to the Commission’s 2019 revision to the rural rate rules. See e.g., Elimination of Main Studio Rule, MB Docket No. 17-106, Report and Order, 32 FCC Rcd 8158, 8161 (2017) (explaining that a recent rule change does not relieve a licensee from its obligation to comply with the rule while it is in effect).

² See 47 CFR §§ 54.603, 54.607 (2019).

³ 47 U.S.C. § 151 et seq.

by virtue of its business activities, including but not limited to the RHC Program Rules.

- (h) “Compliance Agreement” means the compliance obligations, program, and procedures attached to this Consent Decree as Appendix A.
- (i) “Effective Date” means the date by which both the Bureau and ACS have signed the Consent Decree and the Bureau has released an Adopting Order.
- (j) “HCP” means health care provider.
- (k) “Investigation” means the investigation commenced by the Bureau in File No. EB-IHD-17-00023568 regarding whether ACS violated the RHC Program Rules.
- (l) “LOI” means the Letter of Inquiry issued by the Bureau to ACS on March 23, 2018.
- (m) “Parties” means ACS and the Bureau, each of which is a “Party.”
- (n) “RHC Program Rules” means Title 47, Code of Federal Regulations, sections 54.600-54.680, section 254 of the Act, and Commission orders related to the provision of service in the RHC Program.
- (o) “USAC” means the Universal Service Administrative Company, which serves as the administrator for the federal Universal Service Fund.⁴

II. BACKGROUND

3. The RHC Program provides financial support to eligible rural health care providers so that all health care facilities—regardless of whether they are located in rural or urban areas—can implement the modern telecommunications systems that are vital to 21st century medical care.⁵ The Telecommunications Program (Telecom Program) is part of the Commission’s RHC Program and is paid for through the Universal Service Fund (USF or Fund).⁶ Through the Telecom Program, eligible rural health care providers can obtain rates for supported services that are no higher than the “urban rate,” defined as the highest tariffed or publicly available commercial rate for a similar service in any city with a population of 50,000 or more people in that state.⁷ The carrier providing the eligible service(s) is entitled to support payments from the Fund to account for the difference between the rural rate (the rate for telecommunications services provided to health care providers in rural areas, which is generally higher) and the urban rate (the rate for commercial customers in nearby urban areas, which is generally lower).⁸

4. *Determining Rural Rates.* The Commission’s rules in effect during the relevant period established three, and only three, methods for a service provider to determine its rural rate. These

⁴ See 47 CFR § 54.701 (2019).

⁵ See *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776, 8796, para. 35 (1997) (*Federal-State Joint Board on Universal Service*); see also 47 CFR § 54.602 (2019).

⁶ The RHC Program also includes the HCF which provides a 65% discount on eligible expenses related to broadband connectivity to both health care providers and consortia. See generally *Rural Health Care Support Mechanism*, Report and Order, 27 FCC Rcd 16678 (2012) (*HCF Order*); see also 47 CFR §§ 54.630-54.649. Beginning in January 2014, rural health care providers receiving support for Internet access received support for these services through the HCF. See *HCF Order*, 27 FCC Rcd at 16818-19, para. 354.

⁷ 47 CFR §§ 54.605, 54.613. Alaska has only one city with a population of 50,000 or more people: Anchorage.

⁸ *Id.* §§ 54.602, 54.609. See generally *Rural Health Care Support Mechanism*, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 18 FCC Rcd 24546 (2003) (*2003 Order and Further Notice*).

methods must be considered in sequential order based on the factual circumstances.⁹ The first method (Method 1) must be considered if the service provider itself offers comparable services to commercial customers that provide a basis for comparison.¹⁰ If so, the Commission's rules require that a service provider's rural rate must "be the average of the rates actually being charged to commercial customers, other than health care providers, for identical or similar services provided by the telecommunications carrier providing the service in the rural area in which the health care provider is located."¹¹

5. However, where the telecommunications carrier "is not providing any identical or similar services in the rural area," the second method (Method 2) must be considered.¹² Method 2 provides that "the rural rate shall be the average of the tariffed and other publicly available rates, not including any rates reduced by universal service programs, charged for the same or similar services in that rural area over the same distance as the eligible service by other carriers."¹³

6. The last and final method (Method 3) must be considered only if there are no tariffed or publicly available rates for such services in that rural area, or if the carrier reasonably determines that Method 1 or Method 2 for calculating the rural rate is unfair.¹⁴ In such cases, "then the carrier shall submit for the state commission's approval, for intrastate rates, or the Commission's approval, for interstate rates, a cost-based rate for the provision of the service in the most economically efficient, reasonably available manner."¹⁵ Where a carrier seeks approval of a state commission for intrastate rates or the Commission for interstate rates, "a justification of the proposed rural rate, including an itemization of the costs of providing the requested service" is required.¹⁶

7. *Competitive Bidding.* The Commission has repeatedly stated that competitive bidding rules are vital to ensuring that the Fund is "used wisely and efficiently" across USF-funded programs, and that health care providers "are aware of cost-effective alternatives" to ensure fiscal responsibility and to limit waste, fraud, and abuse of the Fund.¹⁷ Fundamental to this is the Commission's requirement that

⁹ See *Updated Frequently Asked Questions on Universal Service for Rural Health Care Providers*, 12 FCC Rcd 13429, 13433 at part IV, Calculating Amount of Support, Question Nos. 19-21 (1997). See also 47 CFR § 54.607; *The Wireline Competition Bureau Provides Guidance Regarding the Commission's Rules For Determining Rural Rates in the Rural Health Care Telecommunications Program*, Public Notice, WC Docket No. 02-60, DA 19-92 (WCB Feb. 15, 2019) (*Determining Rural Rates Public Notice*).

¹⁰ 47 CFR § 54.607(a).

¹¹ *Id.* The rates averaged to calculate the rural rate must not include any rates reduced by universal service support mechanisms, but a service provider may consider its pre-discount prices for services provided to E-rate customers in determining its rural rates. See *id.*

¹² See *Updated Frequently Asked Questions on Universal Service for Rural Health Care Providers*, 12 FCC Rcd 13429, 13433 at part IV, Calculating Amount of Support, Question Nos. 19-21 (1997). See also 47 CFR § 54.607(b); *Determining Rural Rates Public Notice*.

¹³ 47 CFR § 54.607(b).

¹⁴ See *Updated Frequently Asked Questions on Universal Service for Rural Health Care Providers*, 12 FCC Rcd 13429, 13433 at part IV, Calculating Amount of Support, Question Nos. 19 - 21 (1997). See also 47 CFR § 54.607(b); *Determining Rural Rates Public Notice*.

¹⁵ 47 CFR § 54.607(b).

¹⁶ *Id.* § 54.607(b)(1).

¹⁷ *Federal-State Joint Board on Universal Service*, 12 FCC Rcd at 9133-34, paras. 686, 688; see also *Schools and Libraries Universal Service Support Mechanism*, Fifth Report and Order, 19 FCC Rcd 15808, 15813, para. 13 (2004) (stating that the Commission is committed to deterring inappropriate uses of universal service monies and to rapidly detect and address potential misconduct including waste, fraud, and abuse); *HCF Order*, 27 FCC Rcd at 16778, paras. 229-30 ("[C]ompetitive bidding furthers the competitive neutrality requirement . . . of the Act by ensuring that universal service support does not disadvantage one provider over another . . . [A]ll entities participating in the [RHC Program] must conduct a fair and open competitive bidding process prior to submitting a

RHC Program contracts be awarded through a competitive bidding process.¹⁸ The competitive bidding process must be conducted in a manner such that no bidder receives an unfair advantage over another bidder.¹⁹ The Commission has held that the RHC Program rules, “including the competitive bidding rules, apply to all applicants and service providers.”²⁰ As service providers have long been aware, the Commission will take action against such service providers that seek to secure an unfair advantage in competing for contracts supported by the USF or otherwise engage in conduct that threatens to damage the integrity of USF programs in violation of the Commission’s rules.²¹ The Commission has repeatedly

request for funding . . .”); and *Schools and Libraries Universal Service Support Mechanism*, Third Report and Order and Second Further Notice of Proposed Rulemaking, 18 FCC Rcd 26912, 26940, para. 66 (2003) (*Schools and Libraries Third Report and Order*) (stating that the competitive bidding process is critical to preventing waste, fraud, and abuse of program resources).

¹⁸ 47 CFR § 54.603(a). See also *Federal-State Joint Board on Universal Service*, 12 FCC Rcd at 9133-34, paras. 686, 688 (“Consistent with the Joint Board’s recommendation for eligible schools and libraries, we conclude that eligible health care providers shall be required to seek competitive bids for all services eligible for support pursuant to section 254(h) by submitting their bona fide requests for services to the Administrator [for posting].”).

¹⁹ See, e.g., *Request for Review of Decisions of the Universal Service Administrator by MasterMind Internet Services, Inc.*, *Federal-State Joint Board on Universal Service*, Order, CC Docket No. 96-45, 16 FCC Rcd 4028 (2000) (*Mastermind Order*) (finding that the FCC Form 470 contact person influences an applicant’s competitive bidding process by controlling the dissemination of information regarding the services requested and, when an applicant delegates that power to an entity that also participates in the bidding process as a prospective service provider, the applicant impairs its ability to hold a fair and open competitive bidding process). See also *Requests for Review of Decisions of the Universal Service Administrator by Hospital Networks Management, Inc., Manchaca, TX, Verizon Business Services, Arlington, VA*, Order, 31 FCC Rcd 5731, 5741, para. 20 (WCB 2016) (“The principles underlying the *Mastermind Order* and other orders addressing fair and open competitive bidding not only apply to the E-rate program . . ., but also to participants in the rural health care program. Indeed, the mechanics of the bidding processes in the rural health care and E-rate programs are effectively the same.”) (internal citation omitted); *Request for Review, Franciscan Skemp Waukon Clinic, Waukon, IA*, Order, 29 FCC Rcd 11714, 11717, para. 9 (WCB 2014) (finding that signing a Telecom Program contract before the expiration of the 28-day waiting period impairs the applicant’s ability to hold a fair and open competitive bidding process).

²⁰ *Rural Health Care Support Mechanism*, 27 FCC Rcd at 16737, para. 126; see, e.g., *Network Services Solutions, LLC, Scott Madison*, Notice of Apparent Liability for Forfeiture and Order, 31 FCC Rcd 12238 (2016) (*Network Services*) (finding service provider apparently liable for violating section 54.603 in Telecom Program competitive bidding processes); *Network Services Solutions, LLC, Scott Madison*, Amendment to Notice of Apparent Liability for Forfeiture and Order, 32 FCC Rcd 5169 (2017) (amending forfeiture amount but not application of section 54.603 to service provider); *DataConnex, LLC*, Notice of Apparent Liability for Forfeiture and Order, 33 FCC Rcd 15751 (2018) (*DataConnex*) (finding service provider apparently liable for violating section 54.603 in Telecom Program competitive bidding processes).

²¹ Service providers have been on notice that funding commitments resulting from contracts awarded in violation of the competitive bidding rules will be rescinded and the disbursed funds recovered. In 2007, the Commission noted that “the danger of waste, fraud, and abuse by service providers is as great as the danger of such conduct by rural health care providers” and advised that “funds disbursed from the . . . rural health care support mechanism[] in violation of a Commission rule that implements the statute or a substantive program goal should be recovered. Sanctions, including enforcement action, are appropriate in cases of waste, fraud, and abuse. . . .” *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight*, Report and Order, 22 FCC Rcd 16372, 16386-88, paras. 26, 30 (2007) (*Comprehensive Report and Order*). See, e.g., *HCF Order*, 27 FCC Rcd at 16737, para. 126 (“To the extent there are violations of the competitive bidding rules, such as sharing of inside information during the competitive bidding process, USAC will adjust funding commitments or recover any disbursed funds through its normal process.”). See, e.g., *Mastermind Order*, 16 FCC Rcd 4028; see also *Request for Review of Decisions of the Universal Service Administrator by Joseph M. Hill, Trustee in Bankruptcy for Lakehills Consulting, LP.*, CC Docket No. 02-6, Order, 26 FCC Rcd 16586 (2011).

made clear that compliance with its bidding rules is a prerequisite for receipt of payments from the Fund and that those who violate the competitive bidding rules are not entitled to funding.²²

8. *ACS.* ACS is wholly owned by Alaska Communications Systems Group, Inc. (“ACS Group”). ACS Group was incorporated in 1998 as ALEC Holdings, Inc., but changed its name to Alaska Communications Systems Group, Inc. in 1999.²³ In July 2021, ACS Group was acquired by ATN International, Inc., a publicly traded company on the NASDAQ market under the symbol “ATI”, for \$343 million.²⁴ Each of ACS and ACS Group are now indirect subsidiaries of ATN International, Inc.

9. ACS provides telecommunications services to health care providers through the RHC Program. ACS is a long-time participant in the RHC Program and received more than \$65,500,000 in payments from the USF for FY2006 through FY2016 services in connection with the Telecom Program.²⁵

10. *USAC Audit.* In June 2017, the AAD initiated a compliance audit of ACS’s involvement in the RHC Program, which included reviewing a sample of ACS funding requests for Telecom Program support.

11. *ACS Investigation.* On March 23, 2018, the Enforcement Bureau sent ACS a Letter of Inquiry (LOI).²⁶ As part of the LOI, the Enforcement Bureau sought to understand ACS’s involvement in the RHC Program. To that end, numerous inquiries in the LOI sought responses and documents related to how ACS determined its rural rates and its participation in competitive bidding processes.²⁷

12. The Enforcement Bureau’s investigation uncovered multiple issues related to ACS’s participation within the Rural Healthcare Program, including:

(a) Rural Rate Violations.

- ACS failed to use any of the three methods established by Commission rules to set its rural rates for FY2016.
- ACS developed pricing scenarios and models for RHC Program proposals in order to determine a sufficient business return for each opportunity. This process was informed by ACS’s internal financial metrics and economic thresholds. After the company’s executives approved the final pricing, it would be added to the bid presentation documents submitted to the requesting HCP.²⁸
- ACS also did not maintain any written policies or procedures specific to the development of rural rates in accordance with RHC Program requirements. Furthermore, ACS had no specific review, compliance, or training program to assure pricing was developed in accordance with RHC Program rules. Several ACS employees stated in interviews they were unaware of section 54.607’s rural rate

²² See, e.g., *HCF Order*, 27 FCC Rcd at 16737, para. 126; *Comprehensive Report and Order*, 22 FCC Rcd at 16388, para. 30.

²³ Letter from Karen Brinkmann, Counsel to Alaska Communications, to David Sobotkin, Investigative Counsel, Fraud Division, FCC Enforcement Bureau at 2 (Apr. 20, 2018) (on file in EB-IHD-17-00023568).

²⁴ ATN International, Inc., July 22, 2021, ATN International, Inc. Completes Acquisition of Alaska Communications, <https://ir.atni.com/node/15121/pdf> (last visited Sept. 14, 2022).

²⁵ Information on file in EB-IHD-17-00023568.

²⁶ Letter from Rakesh Patel, Enforcement Bureau, FCC, to Anand Vadapalli, Chief Executive Officer (CEO), ACS, and Karen Brinkmann, Counsel to ACS (Mar. 23, 2018).

²⁷ *Id.* at 10.

²⁸ Information on file in EB-IHD-17-00023568.

setting requirements and received no RHC Program compliance training prior to 2017.²⁹

(b) Competitive Bidding Process.

- ACS offered Dedicated Internet Access (DIA) service as part of multiple bids in responding to certain HCP Form 465s requesting services through the Telecom Program even though DIA is ineligible for support under the Telecom Program, and only eligible under the Healthcare Connect Fund (HCF) Program.³⁰ ACS did not separate charges for this ineligible DIA service from the monthly charges for telecommunications services in the subject Telecom Program bid proposals or in the related contracts signed with the HCPs. Instead, ACS offered and provided the ineligible DIA service for free as a component of the MPLS service to be supported by the Telecom Program. The Commission has mandated that Internet Access services, such as the DIA offered by ACS, can *only* receive USF support through the HCF Program.³¹ Nevertheless, ACS offered and provided this DIA service without cost allocating charges for the DIA service from the monthly charges for telecommunications services in the subject Telecom Program bid proposals or on the ACS invoices submitted to USAC.³² ACS submitted payment requests and received disbursements from the Fund in connection with these contracts in calendar years 2017 and 2018.

²⁹ *Id.*

³⁰ See 47 CFR 54.602(a) (“Rural health care providers may request support for the difference, if any, between the urban and rural rates for *telecommunications* services.... This support is referred to as the “Telecommunications Program.”) (emphasis added). Commencing in FY 2014, Internet services such as DIA were ineligible for support under the Telecom Program. See *Rural Health Care Support Mechanism*, 27 FCC Rcd at 16680-81, para. 1 (“Today, the Commission reforms our universal service support programs for health care, transitioning our existing Internet Access and Rural Health Care Pilot Programs into a new, efficient Healthcare Connect Fund. This Fund will expand [HCP] access to broadband, especially in rural areas, and encourage the creation of state and regional broadband health care networks.”); USAC Rural Health Care Program, Healthcare Connect Fund, Getting Started – Need to Know, <http://web.archive.org/web/20130606214849/http://www.usac.org/rhc/healthcare-connect/getting-started/need-to-know.aspx> (last visited Sept. 16, 2022) (“As of July 1, 2014, HCPs requesting Internet access support must apply to the HCF.”); USAC Rural Health Care Program, Telecommunications Program, <http://web.archive.org/web/20160327073448/http://usac.org/rhc/default.aspx> (last visited Sept. 16, 2022) (“Beginning in January 2014, applicants currently receiving support for Internet access can apply for support for those same services through the new [HCF] Program. For those receiving Internet access support [through the legacy Rural Health Care Program], funding will continue through the end of Funding Year 2013, which ends on June 30, 2014. Once funding for Internet access ends, this [legacy] component of the RHC Program will only provide telecommunications services support and will simply be known as the Telecommunications Program.”); USAC Rural Health Care Program, RHC Circuit – First Quarter 2014, <https://web.archive.org/web/20140829130343/http://usac.org/rhc/telecommunications/outreach/newsletters/2014/q1.aspx> (last visited Sept. 16, 2022) (“Beginning in Funding Year (FY) 2014, the FCC Form 465 will only be used to request support for telecommunications services. Applicants seeking bids for Internet services must request those services through the HCF Program.”); USAC, Rural Health Care Program, RHC Circuit – Second Quarter, <https://web.archive.org/web/20140829132232/http://usac.org/rhc/telecommunications/outreach/newsletters/2014/Q2.aspx> (last visited Sept. 16, 2022) (“Internet Access Services Support Available Only through the HCF Program... Beginning in FY2014, applicants seeking bids for Internet services must request them through the [HCF] Program. Internet access services funding will no longer be available through the Telecommunications/Internet Access Program.”).

³¹ See, *Rural Health Care Support Mechanism*, 27 FCC Rcd at 16680-81, para. 1.

³² Information on file in EB-IHD-17-00023568.

III. TERMS OF AGREEMENT

13. **Adopting Order.** The provisions of this Consent Decree shall be incorporated by the Bureau in an Adopting Order.

14. **Jurisdiction.** For purposes of this Consent Decree, ACS agrees that the Bureau has jurisdiction over it and the matters contained in this Consent Decree and has the authority to enter into and adopt this Consent Decree.

15. **Effective Date; Violations.** The Parties agree that this Consent Decree shall become effective on the Effective Date as defined herein. As of the Effective Date, the Parties agree that this Consent Decree shall have the same force and effect as any other order of the Commission. Any violation of the Adopting Order or of the terms of this Consent Decree shall constitute a separate violation of a Commission order, entitling the Commission to exercise any rights and remedies attendant to the enforcement of a Commission order.

16. **Termination of Investigation and Audit.** In express reliance on the covenants and representations in this Consent Decree and to avoid further expenditure of public resources, the Bureau agrees to terminate the Investigation. The Bureau also agrees, on behalf of itself and the Wireline Competition Bureau, that the Audit is terminated along with any recovery processes and claims to repayment that have or could be instituted in connection therewith. In consideration for the termination of the Investigation and the Audit, ACS agrees to the terms, conditions, and procedures contained herein. This Consent Decree resolves all claims for repayment to the Universal Service Fund for the funding requests listed in Appendices B, C, and D. The Bureau further agrees that, in the absence of new material evidence, it will not use the facts developed in the Investigation through the Effective Date, or the existence of this Consent Decree, to institute any new proceeding, formal or informal, on its own motion, or take any action against ACS concerning the matters that were the subject of the Investigation, or to set for hearing the question of ACS's basic qualifications to be a Commission licensee or hold Commission licenses or authorizations based on the matters that were the subject of the Investigation.³³

17. **Admission of Liability.** ACS admits for the purpose of this Consent Decree and for Commission civil enforcement purposes, and in express reliance on the provisions of paragraph 16 herein, that it engaged in the actions described in paragraph 12(a), that its actions in paragraph 12(a) violated section 54.607 of the Commission's rules,³⁴ and that it accepts sole responsibility for those actions. ACS admits for the purpose of this Consent Decree and for Commission civil enforcement purposes, and in express reliance on the provisions of paragraph 16 herein, that it engaged in the actions described in paragraph 12(b), and that it accepts sole responsibility for those actions.

18. **Compliance Agreement.** ACS agrees that it shall implement the Compliance Agreement attached as Appendix A.

19. **Termination Date.** Unless stated otherwise, the requirements set forth in this Consent Decree shall expire thirty-six (36) months after the Effective Date, provided that ACS has substantially complied in all material respects with its obligations under the Compliance Agreement, which is attached to this Consent Decree as Appendix A. If it has failed to do so, the provisions of the Compliance Agreement shall remain in effect until ACS has been in compliance with those obligations for at least a full calendar year.

20. **Section 208 Complaints; Subsequent Investigations.** Nothing in this Consent Decree shall prevent the Commission on its delegated authority from adjudicating complaints filed pursuant to section 208 of the Act³⁵ against ACS or its affiliates for alleged violations of the Act, or for any other type of alleged misconduct, regardless of when such misconduct took place. The Commission's adjudication

³³ See 47 CFR § 1.93(b).

³⁴ See 47 CFR §§ 54.607.

³⁵ 47 U.S.C. § 208.

of any such complaint will be based solely on the record developed in that proceeding. Except as expressly provided in this Consent Decree, this Consent Decree shall not prevent the Commission from investigating new evidence of noncompliance by ACS with the Communications Laws.

21. **Settlement Amount.** ACS agrees to a Settlement Amount of \$6,298,526 to fully resolve the Investigation and the Audit.

(a) **Repayment Amount.** ACS agrees to repay \$5,298,526 to the Universal Service Fund (Repayment Amount).

(b) **Withdrawal Credit.** The Commission will credit ACS \$1,000,000 upon withdrawal of its pending appeals and release of any claims it might have or assert with respect to the Funding Request Numbers listed in Appendix E. ACS agrees to complete these withdrawals within thirty (30) calendar days of the Effective Date. ACS agrees it will not pursue any claims and/or appeals before USAC, the Commission or any court related to the Funding Request Numbers listed in Appendix E. ACS will not be entitled to the Withdrawal Credit if it fails to withdraw its pending appeals and release claims it has to the Funding Request Numbers in Appendix E.

(c) **Installment Payments.** The Repayment Amount shall be made in eighteen (18) installments (each an Installment Payment) unless ACS fails to complete the withdrawals when due as described above, fails to make any Installment Payment when due, or fails to meet any material requirement of the Compliance Agreement, as determined at the sole discretion of the Bureau (each an Acceleration Event). The first Installment Payment in the amount of \$294,362.65 shall be made on the Effective Date. The balance of the Repayment Amount shall be made in sixteen (16) consecutive payments of \$294,362.55 on the first day of each month following the Effective Date, with a final payment of \$294,362.55 to be made no later than September 1, 2025. If an Acceleration Event occurs, ACS shall pay the remaining balance of the Settlement Amount in full within five (5) business days.

22. ACS acknowledges and agrees that upon execution of this Consent Decree, the Settlement Amount shall become a “Claim” or “Debt” as defined in 31 U.S.C. § 3701(b)(1).³⁶ Upon an Event of Default, all procedures for collection as permitted by law may, at the Commission’s discretion, be initiated. ACS shall send electronic notification of the Repayment Amount payment and the withdrawals and releases described above to Meghan Ingrisano, Chief, Fraud Division, Enforcement Bureau, Federal Communications Commission, 45 L Street NE, Washington, D.C. 20554, or her successor or designee, with a copy submitted electronically to Meghan Ingrisano at [Meghan.Ingrisano@fcc.gov](mailto: Meghan.Ingrisano@fcc.gov), on the date said payment is made. Below are instructions that payors should follow based on the form of payment selected:³⁷

- Payment by wire transfer must be made to ABA Number 021030004, receiving bank TREAS/NYC, and Account Number 27000001. In the OBI field, enter the FRN(s) captioned above and the letters “FORF”. In addition, a completed Form 159³⁸ or printed Commission Registration System (CORES) form³⁹ must be faxed to the Federal Communications Commission at 202-418-2843 or e-mailed to [RROGWireFaxes@fcc.gov](mailto: RROGWireFaxes@fcc.gov) on the same business day the wire transfer is initiated. Failure to provide all required information in Form 159 or CORES may result in payment not being recognized as having been received. When completing FCC Form

³⁶ Debt Collection Improvement Act of 1996, Pub. L. No. 104-134, 110 Stat. 1321, 1358 (Apr. 26, 1996).

³⁷ For questions regarding payment procedures, please contact the Financial Operations Group Help Desk by phone at 1-877-480-3201 (option #1).

³⁸ FCC Form 159 is accessible at <https://www.fcc.gov/licensing-databases/fees/fcc-remittance-advice-form-159>.

³⁹ Information completed using the Commission’s Registration System (CORES) does not require the submission of an FCC Form 159. CORES is accessible at <https://apps.fcc.gov/cores/userLogin.do>.

159 or CORES, enter the Account Number in block number 23A (call sign/other ID), enter the letters “FORF” in block number 24A (payment type code), and enter in block number 11 the FRN(s) captioned above (Payor FRN).⁴⁰ For additional detail and wire transfer instructions, go to <https://www.fcc.gov/licensing-databases/fees/wire-transfer>.

- Payment by credit card must be made by using CORES at <https://apps.fcc.gov/cores/userLogin.do>. To pay by credit card, log-in using the FCC Username associated to the FRN captioned above. If payment must be split across FRNs, complete this process for each FRN. Next, select “Manage Existing FRNs | FRN Financial | Bills & Fees” from the CORES Menu, then select FRN Financial and the view/make payments option next to the FRN. Select the “Open Bills” tab and find the bill number associated with the CD Acct. No. The bill number is the CD Acct. No. with the first two digits excluded (e.g., CD 1912345678 would be associated with FCC Bill Number 12345678). After selecting the bill for payment, choose the “Pay by Credit Card” option. Please note that there is a \$24,999.99 limit on credit card transactions.
- Payment by ACH must be made by using CORES at <https://apps.fcc.gov/cores/userLogin.do>. To pay by ACH, log in using the FCC Username associated to the FRN captioned above. If payment must be split across FRNs, complete this process for each FRN. Next, select “Manage Existing FRNs | FRN Financial | Bills & Fees” on the CORES Menu, then select FRN Financial and the view/make payments option next to the FRN. Select the “Open Bills” tab and find the bill number associated with the CD Acct. No. The bill number is the CD Acct. No. with the first two digits excluded (e.g., CD 1912345678 would be associated with FCC Bill Number 12345678). Finally, choose the “Pay from Bank Account” option. Please contact the appropriate financial institution to confirm the correct Routing Number and the correct account number from which payment will be made and verify with that financial institution that the designated account has authorization to accept ACH transactions.

23. **Event of Default.** ACS agrees that an Event of Default shall occur upon the failure by ACS to pay the full amount of the Repayment Amount when due and/or fail to complete the withdrawals and releases described in Paragraph 21(b) on or before the due date specified in this Consent Decree.

24. **Interest, Charges for Collection, and Acceleration of Maturity Date.** After an Event of Default has occurred under this Consent Decree, the then unpaid amount of the Settlement Amount shall accrue interest, computed using the U.S. Prime Rate in effect on the date of the Event of Default plus 4.75%, from the date of the Event of Default until payment in full. Upon an Event of Default, the then unpaid amount of the Settlement Amount, together with interest, any penalties permitted and/or required by the law, including but not limited to 31 U.S.C. § 3717 and administrative charges, plus the costs of collection, litigation, and attorneys’ fees, shall become immediately due and payable, without notice, presentment, demand, protest, or notice of protest of any kind, all of which are waived by ACS.

25. **Waivers.** As of the Effective Date, ACS waives any and all rights it may have to seek administrative or judicial reconsideration, review, appeal or stay, or to otherwise challenge or contest the validity of this Consent Decree and the Adopting Order. ACS shall retain the right to challenge Commission interpretation of the Consent Decree, or any terms contained herein. If either Party (or the United States on behalf of the Commission) brings a judicial action to enforce the terms of the Consent Decree or the Adopting Order, neither ACS nor the Commission shall contest the validity of the Consent Decree or the Adopting Order, and ACS shall waive any statutory right to a trial *de novo*. ACS hereby agrees to waive any claims it may otherwise have under the Equal Access to Justice Act⁴¹ relating to the matters addressed in this Consent Decree.

⁴⁰ Instructions for completing the form may be obtained at <http://www.fcc.gov/Forms/Form159/159.pdf>.

⁴¹ See 5 U.S.C. § 504; 47 CFR §§ 1.1501–1.1530.

26. **Severability.** The Parties agree that if any of the provisions of the Consent Decree shall be held unenforceable by any court of competent jurisdiction, such unenforceability shall not render unenforceable the entire Consent Decree, but rather the entire Consent Decree shall be construed as if not containing the particular unenforceable provision or provisions, and the rights and obligations of the Parties shall be construed and enforced accordingly.

27. **Invalidity.** In the event that this Consent Decree in its entirety is rendered invalid by any court of competent jurisdiction, it shall become null and void and may not be used in any manner in any legal proceeding.

28. **Subsequent Rule or Order.** The Parties agree that if any provision of the Consent Decree conflicts with any subsequent Rule or order adopted by the Commission (except an order specifically intended to revise the terms of this Consent Decree to which ACS does not expressly consent) that provision will be superseded by such Rule or order.

29. **Successors and Assigns.** ACS agrees that the provisions of this Consent Decree shall be binding on its successors, assigns, and transferees.

30. **Final Settlement.** The Parties agree and acknowledge that this Consent Decree shall constitute a final settlement between the Parties with respect to the Investigation and related matters.

31. **Modifications.** This Consent Decree cannot be modified without the advance written consent of both Parties.

32. **Paragraph Headings.** The headings of the paragraphs in this Consent Decree are inserted for convenience only and are not intended to affect the meaning or interpretation of this Consent Decree.

33. **Authorized Representative.** Each Party represents and warrants to the other that it has full power and authority to enter into this Consent Decree. Each person signing this Consent Decree on behalf of a Party hereby represents that he or she is fully authorized by the Party to execute this Consent Decree and to bind the Party to its terms and conditions.

34. **Counterparts.** This Consent Decree may be signed in counterpart (including electronically or by facsimile). Each counterpart, when executed and delivered, shall be an original, and all of the counterparts together shall constitute one and the same fully executed instrument.

Loyaan A. Egal
Chief
Enforcement Bureau

Date

Matthew McConnell
President
Alaska Communications Systems Holdings, Inc.

Date

APPENDIX A

**COMPLIANCE AGREEMENT FOR ALASKA COMMUNICATIONS
SYSTEMS HOLDINGS, INC.**

PREAMBLE: In accordance with the terms set forth in the Settlement Agreement and the Consent Decree (as defined herein), Alaska Communications Systems Holdings, Inc. (ACS) agrees to the undertakings described in this Compliance Agreement, including reasonable steps to ensure that its future participation in the Rural Health Care Program complies fully with all Rural Health Care Program Rules.

1. **Definitions.**

For the purposes of this Compliance Agreement, the following definitions shall apply:

“ACS” or “Company” means Alaska Communications Systems Holdings, Inc. and its successors in interest or assigns.

“ACS Compliance Plan” means the compliance plan required by Section 4.

“ACS Compliance Hotline” or “Compliance Hotline” shall mean the toll-free telephone number described in Section 4(b).

“Act” means the Communications Act of 1934, as amended.

“Commission” or “FCC” mean the Federal Communications Commission and all of its bureaus and offices.

“Compliance Agreement” means this document, titled “Compliance Agreement for ACS,” which is incorporated as Appendix A to the Consent Decree.

“Compliance Manual” means the Compliance Manual required by Section 5.

“Consent Decree” means the Consent Decree between ACS and EB, executed simultaneously with this agreement, to which this Compliance Agreement is attached and incorporated as Appendix A.

“Covered Personnel” or “Covered Person” means all employees and officers of ACS who perform, supervise, oversee, or otherwise conduct any activities that relate to ACS’s responsibilities under the Rural Health Care Program Rules, except for employees that solely perform activities involving network operations or maintenance or technical support. For purposes of Section 5 (Compliance Manual) and Section 6 (Compliance Training Program), Covered Personnel shall also include any personnel used by any Covered Third Party.

“Covered Third Party” or “Covered Third Parties” means any agent or independent contractor of ACS contracted to perform activities that related to ACS’s participation under the Rural Health Care Program Rules, including responses to Requests for Proposals, except for outside legal counsel and agents or independent contractors that solely perform activities involving network operations or maintenance, technical support, or data analytics.

“Days” shall mean calendar days (unless otherwise specified).

“EB” means the Enforcement Bureau of the Commission.

“Effective Date” means the effective date of the Consent Decree, to which this Compliance Agreement is attached and incorporated as Appendix A.

“OGC” means the Office of General Counsel of the Commission.

“Operating Procedures” means the standard internal operating procedures and compliance policies established by ACS to implement the Compliance Agreement.

“Parties” means ACS and the FCC, each of which is a “Party.”

“Rural Health Care Program Rules” means Title 47, Code of Federal Regulations, sections 54.600-54.680, section 254 of the Act, and Commission orders related to the provision of service in the Rural Health Care Program.

“USAC” means the Universal Service Administrative Company, which serves as the administrator for the federal Universal Service Fund.

“WCB” means the Wireline Competition Bureau of the Commission.

2. Term of Compliance Agreement.

- (a) The obligations set forth herein shall apply for a period of three (3) years from the Effective Date or for such longer period as may be provided under this section. If ACS does not materially comply with this Compliance Agreement and all Rural Health Care Program Rules, as reasonably determined by the FCC, during any twelve (12) month period, the obligations set forth herein may be extended, in the discretion of the FCC, by an additional year. Further, such obligations shall continue (including during any extension period) until ACS has materially complied with this Compliance Agreement and all Rural Health Care Program Rules for one (1) consecutive twelve (12) month period, subject to the limitation set forth in subsection (b) of this section. A determination that ACS has complied with the obligations in this Compliance Agreement is not intended to and shall not constitute a determination that ACS has complied with any or all Rural Health Care Program Rules for any other purpose.
- (b) The obligations of this Compliance Agreement shall not remain in effect beyond the seventh anniversary from the Effective Date, except as otherwise provided under this subsection. If by such date, ACS has not materially complied with this Compliance Agreement and with all Rural Health Care Program Rules, as reasonably determined by the FCC, then ACS shall remain subject to the remedies provided for in Section 12, at the discretion of the FCC, and the Parties may also renegotiate an extension of this Compliance Agreement to address any noncompliance by ACS, to the extent they deem such an extension to be appropriate or desirable.

3. Compliance Officer.

- (a) Within thirty (30) days after the Effective Date, ACS shall designate a senior corporate manager with the requisite corporate and organizational authority to serve as a Compliance Officer to discharge the duties set forth in this Compliance Agreement. The Compliance Officer must have general knowledge of and experience with Communications Law and specific knowledge and experience with the Rural Health Care Program Rules prior to assuming his/her duties. The Compliance Officer shall report directly to the President and CEO of ACS, and shall not be, or be directly or indirectly subordinate to, the Chief Financial Officer or Vice President of Operations, or have any responsibilities for legal counsel functions for ACS.
- (b) The Compliance Officer shall be responsible for, without limitation, implementing and administering this Compliance Agreement and ensuring that ACS complies with its terms and conditions (including taking corrective action as necessary). ACS shall ensure that Covered Third Parties will be subject to the Compliance Officer’s oversight.
- (c) ACS shall provide written notice to the FCC of the identity of the initial Compliance Officer within ten (10) business days of that appointment. Thereafter, ACS shall provide written notice to the FCC within ten (10) business days of any changes in the identity of the Compliance Officer, or any actions that could adversely affect the Compliance Officer’s ability to perform the Officer’s duties under this Compliance Agreement.

4. ACS Compliance Plan and Compliance Hotline.
- (a) ACS agrees that it shall, within ninety (90) days after the Effective Date, develop and implement a compliance plan (ACS Compliance Plan) designed to ensure future compliance with the Rural Health Care Program Rules and containing the terms and conditions set forth herein. ACS shall provide copies of the ACS Compliance Plan to the FCC on or before the 90th day after the Effective Date and submit any revisions to the FCC within thirty (30) days of any revision being made. The ACS Compliance Plan shall expressly incorporate the requirements of this Compliance Agreement, including, without limitation, the Operating Procedures described in Section 5, the training required in Section 6, and the audits required by Section 9.
 - (b) ACS Compliance Hotline: ACS shall maintain a compliance hotline (or establish one within thirty (30) days after the Effective Date if such a hotline does not exist on the Effective Date) to receive complaints and tips from the public, as well as from Covered Personnel, about potential fraudulent or other irregular activity associated with ACS's Rural Health Care Program participation. ACS shall publish the Compliance Hotline conspicuously on the legal and regulatory sections of its website. ACS shall also publish this Compliance Hotline in a prominent location in the Compliance Manual. The Compliance Hotline shall allow anonymous reporting. Complaints and tips received shall be promptly forwarded to the Compliance Officer and investigated.
5. Compliance Manual.
- (a) Within ninety (90) days after the Effective Date, the Compliance Officer shall develop and, to the extent consistent with applicable law, distribute electronically or in hard copy a Compliance Manual to all Covered Personnel and Covered Third Parties. The Compliance Manual shall explain the Rural Health Care Program Rules, including the rules related to competitive bidding, set forth the Operating Procedures that Covered Personnel and Covered Third Parties shall follow to help ensure ACS's compliance with the Rural Health Care Program Rules, and include the information described in subsection (b) of this section. The requirements of subsections (c)(i) and (c)(ii) of this section shall be applicable to all Covered Personnel, whether employed by Covered Third Parties or by ACS. The phone numbers for the ACS Compliance Hotline, the Commission's whistleblower hotline, and the USAC whistleblower hotline shall be published in a prominent location in the Compliance Manual. ACS shall periodically review and revise the Compliance Manual as necessary to ensure that its contents remain current and accurate. To the extent consistent with applicable law, ACS shall distribute electronically any revisions to the Compliance Manual quarterly to all Covered Personnel and Covered Third Parties.
 - (b) Any agreements between ACS and Covered Third Parties executed after the Effective Date shall contain provisions to ensure that the terms of this Compliance Agreement are satisfied. ACS also shall use commercially reasonable efforts to modify any agreement between ACS and Covered Third Parties that are in effect on the Effective Date to comply with this section.
 - (c) To the extent consistent with applicable law, ACS shall require that Covered Third Parties be subject to the following additional requirements, as to which ACS will exercise reasonable oversight, each of which shall be set forth in its agreements with those parties. All agreements between ACS and Covered Third Parties shall include the following terms:
 - (i) Covered Third Parties or their Covered Personnel who are suspected (based on credible evidence) of violating Rural Health Care Program Rules, failing to comply with the terms of the Company's Compliance Manual, or otherwise violating provisions of their agreements with ACS required by this Compliance Agreement shall be subject to immediate suspension or termination by ACS or by the Covered Third Party, as the case may be.

- (ii) Covered Third Parties or their Covered Personnel who become aware of any known, suspected, or alleged fraud or noncompliance with Rural Health Care Program Rules or other violations of their agreements with ACS required by this Compliance Agreement are required to promptly report such suspicions to the ACS Compliance Hotline, the Commission's whistleblower hotline, and to the USAC whistleblower hotline and will not be subject to retaliation for making such reports.
 - (iii) Each Covered Third Party shall ensure that any Covered Personnel receive the training described in Section 6 and provide certifications verifying that training to the Compliance Officer within thirty (30) days after receipt of the training materials.
 - (iv) Each Covered Third Party shall make available to ACS, the Commission, and USAC upon request (with no requirement for a subpoena) access to all documents and records relating to its work for ACS as it pertains to the Rural Health Care Program, except work involving network operations or maintenance or technical support. Each Covered Third Party shall also cooperate with audit requests (formal or informal) by ACS, the Commission, or USAC to verify compliance with its agreements with ACS pertaining to the Rural Health Care Program and with the Rural Health Care Program Rules.
6. Compliance Training Program.
- (a) ACS shall establish and implement an electronic Compliance Training Program for Covered Personnel consistent with this section. Covered Personnel shall complete their Compliance Training within thirty (30) days after ACS adopts the Compliance Manual, but in no event more than one hundred twenty (120) days after the Effective Date. Any employee who becomes a Covered Person after the initial Compliance Training Program is completed shall complete training within thirty (30) days. For those Covered Personnel who are employees or officers of Covered Third Parties, the training shall be substantially similar to that provided to ACS employees. Each Covered Person who has completed training shall complete a standardized certification attesting to completion of the training. Covered Third Parties will relay such certifications to the Compliance Officer monthly.
 - (b) As part of the Compliance Training Program, Covered Personnel shall be advised of ACS's obligation to report under Section 8 of this Agreement any suspected, alleged, or known fraud or noncompliance with the Rural Health Care Program Rules, including, without limitation, the rules related to competitive bidding, or noncompliance with this Compliance Agreement. In addition, Covered Personnel and any others receiving the training shall be instructed on how to disclose such noncompliance to the ACS Compliance Officer, the Commission's whistleblower hotline and to the USAC whistleblower hotline. Training on the reporting procedures shall include the email- and telephone number of the Compliance Officer, as well as numbers for providing information anonymously to the ACS Compliance Hotline, the Commission's whistleblower hotline, and the USAC whistleblower hotline. The training program shall also emphasize the potential ramifications of failing to comply with Rural Health Care Program Rules. The training program shall explain that no person who submits reports or concerns about known, alleged, or suspected fraud or noncompliance shall be subject to any retaliation by ACS or Covered Third Parties, except that ACS may take any lawful personnel action in cases involving information that the person knew or should have known was inaccurate or false.
 - (c) ACS shall maintain a list of Covered Personnel, including the dates on which they began or ended service as Covered Personnel and the dates of any training. ACS shall provide to the FCC such information upon request. ACS and its Covered Third Parties shall repeat compliance training on an annual basis and provide the Commission with annual certifications from each Covered Person (or any other person for whom training is required by this agreement) certifying that each has received annual training pursuant to the Compliance Training Program. ACS shall periodically review and revise the Compliance

Training Program for Covered Personnel as necessary to ensure that it remains current and complete and to enhance its effectiveness.

7. Fraud and Noncompliance Detection and Monitoring.

(a) Within ninety (90) days after the appointment of the Compliance Officer, but in no event later than one hundred twenty (120) days after the Effective Date, ACS's Compliance Officer shall create procedures to investigate potential Rural Health Care Program fraud and noncompliance with the Rural Health Care Rules, and this Compliance Agreement. Among other activities, the Compliance Officer shall:

(i) Establish a program of periodic "spot checks" to ensure that Covered Personnel and Covered Third Parties are complying with all their obligations.

(ii) Investigate promptly potential fraud or other irregularities based upon customer complaints, complaints by Covered Personnel or Covered Third Parties, information obtained through the "spot checks," or any other credible information, including complaints to the ACS Compliance Hotline.

(b) During the term of this Compliance Agreement, ACS will include in the annual compliance reports under Section 11(a) a section containing the following metrics:

(i) Information about the number of investigations opened, if any, and the number of investigations closed during the annual reporting period;

(ii) A list of Covered Personnel terminated by ACS (or by Covered Third Parties) during the annual reporting period for known, alleged, or suspected fraud or noncompliance, the nature of such fraud or noncompliance, and the amount or estimated amounts of Rural Health Care Program disbursements to ACS attributable to such fraud or noncompliance; and

(iii) The amount of Rural Health Care Program disbursements (and dates of such disbursements) returned to the Universal Service Fund by ACS attributable to known fraud or noncompliance with Rural Health Care Program Rules by Covered Personnel.

8. Reporting Suspected Fraud or Noncompliance. ACS shall provide prompt notification to the FCC (as specified in Section 16) of any suspected, alleged, or known fraud or noncompliance with the Rural Health Care Program Rules or this Compliance Agreement, including, without limitation, any relating to competitive bidding, within thirty (30) days after their discovery. In complex cases that require additional investigation, ACS may seek up to an additional thirty (30) days, which shall not be unreasonably denied, to make such a report. Such notification shall set forth any actions taken by ACS in response to suspected, alleged, or known fraud or noncompliance, including any investigations or inquiries made and any personnel actions taken. Such reports shall further include a detailed explanation of: (i) each instance of suspected, alleged, or known fraud or noncompliance and the steps that ACS has or will take to investigate or verify any suspicions or allegations of fraud or noncompliance; (ii) the steps that ACS has taken or will take to remedy any such noncompliance after it has been verified; (iii) the schedule on which such remedial actions will be taken; and (iv) the steps that ACS has taken or will take to prevent the recurrence of any such noncompliance.

9. FCC or USAC Compliance Audits. ACS acknowledges that the FCC or USAC, acting directly or through agents, may review or audit ACS's compliance with this Compliance Agreement, with the ACS Compliance Plan and with Rural Health Care Program Rules. ACS shall cooperate with such review or audit by promptly complying with reasonable requests for information or documents (without the requirement of subpoenas), permitting reasonable inspection of physical premises and equipment, and making requested and relevant personnel available. ACS shall maintain records in accordance with the requirements herein in a manner that permits any auditor to evaluate compliance with this Compliance Agreement, the ACS Compliance Plan and Rural

Health Care Program Rules. Audit findings under this section are not subject to the reporting requirements under Section 8, unless or until such findings are final and non-appealable.

10. ACS Audit Reports. For each year that this Compliance Agreement is in effect, ACS shall provide for an audit, which may be performed by the internal audit department of an affiliate, and which shall be performed in accord with the generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA) and the Institute for Internal Auditors (IIA). These audits shall evaluate ACS's performance under this Compliance Agreement and with the Rural Health Care Program Rules during each audit period. Except for the last year that this Compliance Agreement is in effect, these audits shall cover the preceding 12-month period, beginning with the twelve (12) months following the Effective Date, and shall be completed no later than three (3) months after the end of the 12-month period being assessed. The resulting report (Audit Report) shall be submitted to the FCC, together with the Annual Compliance Report required by Section 11 below, no later than four (4) months after the end of the 12-month period being assessed. During the last year, ACS shall provide for a close-out audit that covers the first nine (9) months of that year, and shall be completed and submitted to the FCC, together with the Annual Compliance Report required by Section 11 below, no later than thirty (30) days before the end of the that year (unless some other date is mutually agreed upon by the Parties).
11. Annual Compliance Reports.
 - (a) ACS shall prepare and file annual compliance reports (each an "Annual Compliance Report") with the FCC. Each Annual Compliance Report shall be submitted with the Audit Report, as discussed above, and shall cover the same time period as the Audit Report. Beginning with the third year this Compliance Agreement is in effect, the Annual Compliance Report shall be submitted thirty (30) days before the anniversary of the Effective Date and shall cover as much of the 12-month period prior to the anniversary of the Effective Date as is reasonably possible.
 - (b) Each Annual Compliance Report shall include a reasonably detailed description of ACS's efforts during the relevant period to comply with the terms and conditions of this Agreement. In addition, each Annual Compliance Report shall include a certification by the Compliance Officer, as an agent of and on behalf of ACS, stating that the Compliance Officer has personal knowledge that ACS: (1) has established and implemented the ACS Compliance Agreement; and (2) is not aware of any instances of any suspected, alleged, or known fraud or noncompliance with the Rural Health Care Program Rules or this Compliance Agreement, including, without limitation, any relating to competitive bidding, except for those reported pursuant to the requirements under Section 8. The Compliance Officer also shall certify in each Annual Compliance Report that, before submitting the Report, he or she reviewed and took into consideration the Audit Report that covers the same time period.
 - (c) Each Annual Compliance Report also shall include a detailed description of any items identified in Section 7; any overpayments made to ACS during the previous year; customer complaints with respect to suspected fraud or noncompliance; and any ongoing Rural Health Care Program related investigations, legal proceedings, and inquiries by state or regulatory agencies. The Report shall also contain a section that includes the metrics required by Section 7(b).
 - (d) If the Compliance Officer cannot provide the requisite certification, the Compliance Officer, as an agent of and on behalf of ACS, shall provide the Commission with a detailed explanation of the reason(s) why and describe fully: (1) each instance of such unreported noncompliance as described in subsection (b)(2) of this section; (2) the steps that ACS has taken or will take to remedy such noncompliance, including the schedule on which proposed remedial actions will be taken; and (3) the steps that ACS has taken or will take to prevent the

recurrence of any such noncompliance, including the schedule on which such preventive action will be taken.

- (e) Each Annual Compliance Report shall include certifications by the Compliance Officer that all required oversight, training, education, reporting and other compliance activities were undertaken in accordance with the requirements of this Compliance Agreement and the ACS Compliance Plan. In the alternative, the Annual Compliance Report shall identify any provision of this Compliance Agreement and of the ACS Compliance Plan with which ACS did not comply during the applicable time period and describe any such noncompliance. The Annual Compliance Report shall also explain the steps taken, and/or those that will be taken (with a timeline specifying when ACS will take them), to correct any noncompliance, to cure any violation, and to ensure future compliance.
- (f) The Commission and USAC may each provide comments to ACS's Compliance Officer and its counsel. To the extent feasible, such comments will be provided within sixty (60) days of each submitted Annual Compliance Report. Each entity may request that that ACS's counsel arrange a conference with the Compliance Officer to discuss the details of each Annual Compliance Report

12. Remedies for Noncompliance.

- (a) General Provision: The FCC reserves its right to pursue violations of the terms of this Compliance Agreement and of the Rural Health Care Program Rules consistent with its authority under the Act. ACS acknowledges and agrees that if ACS fails to materially comply with any provision of this Compliance Agreement, the FCC may treat such noncompliance in the same manner as the failure to comply with a rule promulgated by the Commission, as well as avail itself of such other remedies as may be set forth in this section. Any action taken under this section is without prejudice to the FCC's application of administrative remedies pursuant to the Act, as reserved by this subsection.
- (b) Suspension of Funding: To ensure the continued integrity of the Universal Service Fund, ACS acknowledges and agrees that if the Commission finds ACS has failed to materially comply with any provision of this Compliance Agreement, the FCC may exercise its authority to direct USAC to suspend action on processing Rural Health Care Program funding requests and withhold payment until ACS demonstrates to the satisfaction of the FCC and USAC that it has remedied such noncompliance. USAC shall provide thirty (30) days' notice to ACS, with a period to cure of no less than thirty (30) days, of any actions taken under this subsection and the grounds therefor. Any action taken under this subsection is without prejudice to the FCC's application of administrative remedies pursuant to the Act.
 - (i) If the FCC determines that ACS has failed to materially comply with any provision of this Compliance Agreement (other than a violation of Rural Health Care Program Rules), the FCC will inform ACS of such determination and may, in its sole discretion, direct USAC to suspend processing of ACS's funding requests and withhold payments as provided in this subsection (b). Alternatively, the FCC may, in its sole discretion, postpone such suspension of the processing of ACS's funding requests and the withholding of payments for a period of time and under such terms as the FCC may specify, except in those cases involving deadlines imposed by this Compliance Agreement, which instead shall be subject to the provisions of paragraph (ii) of this subsection. If the FCC postpones the suspension of the processing of ACS's funding requests and the withholding of payments of funding as permitted under the preceding sentence, and if ACS does not meet the terms of such postponement to the satisfaction of the FCC, the FCC may, in its sole discretion, direct USAC to immediately suspend processing of ACS's funding requests and withhold payments of funding commitments as provided in this subsection.

- (ii) ACS may seek extensions of any deadline imposed by this Compliance Agreement by notification in writing to the FCC, to be received by the FCC at least five (5) business days before the deadline date (including an explanation of the reason for the requested extension). Such an extension request may be granted or not in the sole discretion of the FCC. If the FCC denies the extension request, or if ACS fails to meet any extended deadline, then the FCC may, in its sole discretion, upon the failure of ACS to meet its deadline, direct USAC to suspend processing of ACS's funding requests and withhold payments of funding commitments as provided in this subsection (b).
- (iii) If a suspension of funding occurs due to a determination by EB or WCB of ACS's material noncompliance with the terms of this Compliance Agreement (other than a violation of Rural Health Care Program Rules), ACS may appeal such suspension by filing an appeal to the full Commission. If the Commission affirms any suspension of funding, ACS agrees that any such determination and the resulting denial of any payments in connection with such suspension shall not be subject to further administrative appeal at the FCC.
- (iv) If the Commission affirms any suspension of funding under paragraph (iii) of this subsection, or if a suspension of funding is imposed under this subsection (b) that is not appealed, ACS agrees to withdraw, relinquish, cancel or restate any funding requests, as the case may be, consistent with any final orders of the FCC (or EB or WCB, if no appeal is made to the full Commission) to the extent permissible under applicable Rural Health Care Program Rules, or, if cancellation is not viable, due to previous payments made under the transactions involved, to reduce any existing USAC funding commitments or repay any disbursements to the extent ordered by the FCC.
13. Violation of Rural Health Care Program Rules. If there is noncompliance with Rural Health Care Program Rules, USAC shall take action pursuant to its normal processing procedures, in accordance with FCC rules and orders and USAC procedures. Any such actions taken by USAC may be appealed as provided by applicable Universal Service Program rules, including those set forth in 47 CFR §§ 54.719 through 54.722.
14. Document and Record Retention. ACS shall maintain for inspection all documents and records necessary to support reimbursement claims from the Rural Health Care Program and to demonstrate compliance with this Compliance Agreement, in accordance with the Commission's record retention policy and Rural Health Care Program Rules.
15. Amendments. This Compliance Agreement may be amended only by written agreement duly executed by all the parties to this Compliance Agreement.
16. Notifications and Submissions of Reports and Compliance Documents. All notices, reports, disclosures or other communications required by this Compliance Agreement shall be in writing and sent via e-mail and shall be treated as confidential information under Commission rules. Such notices, reports, disclosures or other communications shall be deemed to have been duly given on the day of transmission of the Ee-mail. Notifications required to be made to the FCC shall be made to OGC and EB. Notifications shall be made as follows:
- If to OGC:
- General Counsel (or designee)
Federal Communications Commission
45 L Street, NE
Washington, DC 20554

E-mail address of designee: Thomas.Driscoll@fcc.gov and
Jim.Bird@fcc.gov

If to EB:

Enforcement Bureau Chief (or designee)

Federal Communications Commission

45 L Street, NE

Washington, DC 20554

E-mail address of designee: Meghan.Ingrisano@fcc.gov

If to ACS:

Alaska Communications

Attn: General Counsel

600 Telephone Ave

Anchorage, AK 99503

E-mail address of designee: legal@acsalaska.com and
legalnotices@atni.com

16. This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Loyaan A. Egal
Chief, Enforcement Bureau
Federal Communications Commission

Date

Matthew McConnell
President
Alaska Communications Systems Holdings, Inc.

Date

APPENDIX B

Enforcement Bureau Investigation - FRNs

Funding Request Numbers associated with apparent violations of the Commission's rural rate setting rules under Section 54.607 and competitive bidding rules under Section 54.603:

Funding Request Number				
16906771	16960741	16870571	16895311	17281681
16835511	16934121	16782911	16810561	17281841
16911071	16912431	16887451	16810531	17281981
16911091	16909611	16870621	16870551	17282051
16911131	16799921	16948021	16781291	17269961
16911141	16897401	16961521	16781301	17267581
16911151	16909811	16914071	16781281	17267511
16911171	16829881	16961551	16781311	17267621
16911181	16813951	16914011	16781321	17267631
16806721	16880481	16914031	17168171	17267681
16754511	16880501	16914061	17168291	17267641
16778181	16877141	16914091	17168311	17267691
16935141	16879451	16914101	17168271	17260041
16903621	16879481	16914041	16909801	17260051
16778731	16883051	16914021	17226821	
16962091	16877531	16914001	17174071	
16855091	16877551	16895361	17113711	
16858351	16870561	16895351	17281451	

APPENDIX C

Funding Request Numbers identified in USAC Audit No. RH2017SP001, RHCP-28 FRNs

Funding Request Number		
1221798	1567862	1567876
1221805	1567865	1570791
1463404	1567866	1572283
1464298	1567867	1682988
1562513	1567868	1687062
1567705	1567869	1688048
1567708	1567870	1688050
1567709	1567873	1691407
1567710	1567875	1694802
15795831		

APPENDIX D

Funding Request Numbers associated with RHCP disbursements received by ACS from FY 2006 through FY 2016:

Fund Year 2006

Funding Request Number
24700
25011
25950
25951
30580
24870

Fund Year 2007

Funding Request Number	
29702	31097
29703	31235
30283	31902
31092	33251
31093	34554

Fund Year 2008

Funding Request Numbers			
34806	35176	40827	41335
34807	35177	40828	46262
34868	36023	41033	40826
34947	36244	41333	41334
34948			

Fund Year 2009

Funding Request Number		
42852	44352	45410
42853	44353	45503
42914	44451	45950
42978	44742	46103
43082	45011	46110
43255	45328	46111
44041	45329	46756
44042	45355	47788
44043	45357	49169
44255	45407	50710
44351	45408	55803

Fund Year 2010

Funding Request Number			
49045	51230	52491	56446
49368	51290	52944	56941
49369	51302	53848	57481
49370	51310	53933	57652
50448	51642	54530	57772
50878	52007	54592	57773
51085	52309	54663	68995
51086	52374	54880	68996
51087	52426	55964	52428
51148	52427	56065	56311
51151			

Fund Year 2011

Funding Request Number			
57916	61506	63798	65227
58088	62660	63837	65228
58144	62841	63992	65271
59179	62850	64005	65307
59525	62991	64146	65559
59557	63271	64147	65596
59580	63272	64148	66051
59649	63273	64162	66107
59789	63489	64200	66597
59794	63653	64239	66619
59921	63753	64388	59225
60274	63772	65128	

Fund Year 2012

Funding Request Number				
12100901	12181201	12218931	12256081	12274631
12104701	12212471	12223331	12256121	12278571
12108761	12213891	12226671	12256201	12279211
12114681	12217981	12227591	12256601	12279221
12114911	12218051	12228021	12258111	12279261
12116971	12218071	12228271	12258251	12290561
12118231	12218091	12233001	12258301	12335811
12119351	12218441	12241031	12258331	12358041
12120451	12218531	12241111	12258391	12435021
12127661	12218701	12247291	12258421	12687581
12131131	12218721	12247711	12261791	12877151
12131141	12218741	12253521	12265651	12229231
12166431	12218761	12254221	12266461	12229241
12166491	12218791	12254401	12272141	12229251
12181181	12218801	12255181	12272391	12236631

12236701	12256131	12256661	12257381	12265831
12269891	12314851	12317741	12318981	12348911
12348981	12223371	12150611		

Fund Year 2013

Funding Request Number				
13421051	13359421	13419541	13432771	13461421
13286981	13368371	13420491	13432911	13462001
13289811	13369921	13421091	13432941	13464591
13302681	13372731	13421861	13433271	13466031
13314731	13373121	13421931	13434091	13466101
13314801	13376721	13421951	13440351	13480711
13314871	13411171	13421961	13443851	13480751
13318971	13416441	13421971	13446621	13480781
13332561	13416731	13422951	13449061	13499111
13348971	13417011	13423011	13449171	13499851
13350461	13417031	13424331	13451601	13501651
13350961	13417051	13424351	13453071	13502351
13351981	13417061	13424371	13454181	13526691
13352001	13417081	13424391	13455691	13348721
13352511	13418051	13431691	13457961	13359211
13411181	13464381	13423201	13432981	13435551
13449421	13455701	13457981	13317701	

Fund Year 2014

Funding Request Number				
14445031	14561001	14589071	14617241	14642981
14501241	14561011	14589101	14617271	14643021
14528941	14561021	14591371	14618621	14643471
14528961	14561031	14593491	14618641	14643521
14528971	14627921	14594781	14618671	14643731
14533451	14569791	14595011	14621691	14643801

14536821	14574641	14595831	14621711	14647291
14536831	14578091	14595861	14624451	14649191
14536841	14578171	14595871	14625411	14595901
14536851	14579481	14595891	14626231	14580591
14538521	14543381	14580641	14606831	14630471
14547271	14580661	14617031	14634041	14560981
14580681	14617091	14636331	14560991	14583541
14617151	14636381	14552811		

Fund Year 2015

Funding Request Number				
15610111	15696461	15715941	15781221	15802191
15615311	15696531	15719041	15781241	15802251
15618651	15696981	15719061	15781251	15802271
15625131	15696991	15720111	15781261	15802301
15627561	15697881	15720151	15781271	15802311
15649251	15698761	15720161	15787241	15802331
15650361	15698771	15722831	15795811	15806361
15666191	15701651	15730571	15797351	15815601
15677151	15702381	15735861	15797471	15815681
15677671	15702391	15735881	15797491	15815931
15677681	15702401	15735901	15797501	15815941
15677691	15702411	15753041	15797531	15819671
15677701	15702421	15754451	15798731	15845371
15691071	15707911	15778121	15677101	15678651
15719791	15684681	15677051	15678711	15678751
15678661	15678671	15678691	15799871	

Fund Year 2016

Funding Request Number				
16754511	16810561	16870571	16914001	16960741
16778181	16813951	16870621	16914011	16961521
16778731	16816791	16887451	16914021	16961551
16781281	16816801	16895311	16914031	16962091
16781291	16816811	16895351	16914041	16911181
16781301	16821831	16895361	16914061	16877141
16781311	16822261	16897401	16914071	16877531
16781321	16829881	16903621	16914091	16877551
16782911	16855091	16909611	16914101	16879451
16799921	16858351	16909801	16934121	16880481
16806721	16870551	16909811	16935141	16880501
16810531	16870561	16912431	16948021	16883051
16906771	16911151	16911071	16911091	16911131
16911141	16911171			

APPENDIX E

*Funding Request Numbers associated with pending claims and/or appeals***Fund Year 2015**

Funding Request Number
1581804
1581719
1581724
1581780
1581801

Fund Year 2016

Funding Request Number
16906791
16935181
16974681
16974691
16974701
16974711
16974721
16978961
16979081
16979111
16979131
16979141
16984071
16984161
16986641
16986681
16986701
16986741
16988551

Fund Year 2017

Funding Request Number
17168331
17235321
17274641

Fund Year 2018

Funding Request Number
18464381