

# **ATTACHMENT A**



**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Consumer Protection And Enforcement Division**

## **STAFF REPORT**

### **INVESTIGATION OF CALIFORNIA'S ONE MILLION NEW INTERNET USERS COALITION & KOREAN CHURCHES FOR COMMUNITY DEVELOPMENT**

**By Brian Hom  
May 1, 2018**

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1 **I. EXECUTIVE SUMMARY**

2 On February 21, 2012 the California Public Utilities Commission’s (CPUC)  
3 approved a California Advanced Services Fund (CASF) grant of \$450,000 to California’s  
4 One Million New Internet Users for the period of March 1, 2012 through February 28,  
5 2015.<sup>1</sup> California’s One Million New Internet Users Coalition is made up of coalition  
6 members including the, Community Union, Inc., Korean Churches for Community  
7 Development (KCCD), Asian Pacific Community Fund, Black Business Association, ,  
8 and Soledad Enrichment Action – Charter Schools.<sup>2</sup> (altogether NIU Coalition, or  
9 Coalition) The Coalition agreed to use the grant in accordance with the objectives and  
10 tasks that they set forth in their Work Plan and Action Plan that, in part, providing 40  
11 hours of technology training to 790 attendees per year at 5 locations.<sup>3 4</sup>

12 The Commission reimbursed \$368,747 to NIU Coalition for purported costs  
13 incurred from March 1, 2012 through August 31, 2014. However, over the grant period,  
14 the Commission’s Communications Division (CD) identified numerous performance  
15 problems including but not limited to:

- 16 1. Inadequate and incomplete program recordkeeping by the Coalition  
17 and the Korean Churches for Community Development (KCCD);<sup>5</sup>
- 18 2. Failure to meet performance metrics set out in the Coalition’s Work  
19 Plan, including an unapproved cutback in training hours from 40 to  
20 20, and far fewer graduates than promised in their proposal;<sup>6</sup> and,
- 21 3. Questionable accuracy of the Coalition’s reporting.<sup>7</sup>

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<sup>1</sup> D.11-06-038 p. 37 established grants of \$450,000 per grantee at a rate of \$150,000 per year.

<sup>2</sup> Email from Alicia Ortega to Angel Ahsam 7/31 – RE: One Million NIU, budget categorical changes; GL Sep12-Sep14 Check #1421 dated 8/19/13 and Check #1470 dated 11/15/13 paid to Asian Pacific Community Fund.

<sup>3</sup> NIU Coalition Application Attachment E.

<sup>4</sup> According to the Coalition’s program proposal, training will be provided to parents of students, referred to as Parent Engagement through Technology sessions to increase broadband adoption and bring broadband into their homes.

<sup>5</sup> As fiscal agent, KCCD, sponsored the project and assumed administrative, programmatic, financial and legal responsibility.

<sup>6</sup> The NIU Coalition only had 42% of its target graduates by the end of its 2<sup>nd</sup> year.

<sup>7</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014.

1 Due to these concerns, CD engaged the State Controller’s Office (SCO or Auditor)  
2 to conduct an audit of CASF funds distributed to the Coalition, limited the Coalition’s  
3 Year 3 budget due to their lack of performance.<sup>8</sup> and withheld the remainder of its grant  
4 funds in the amount of \$96,216 pending the audit results. SCO’s audit found four  
5 primary issues:

- 6 1. The Coalition lacked proper internal control safeguards to ensure  
7 that the program functioned as intended and that the accounting  
8 records and source documents properly substantiated program-  
9 related activities and costs.
- 10 2. The Coalition provided only about 50% of broadband instructional  
11 training agreed upon in the CASF grant.
- 12 3. The Coalition did not provide complete records; therefore, this  
13 prevented the auditors from determining if any and all of the CASF  
14 reimbursed costs were also charged against other grants or funds.
- 15 4. Korean Churches for Community Development, NIU Coalition’s  
16 fiscal agent, charged \$46,621 for unallowable program activities.<sup>7</sup>

17  
18 SCO concluded that the Coalition and their fiscal agent, KCCD, were overpaid  
19 \$229,422 and called for the withholding of the remainder of the Coalition’s grant.<sup>2</sup>  
20 SCO’s audit recommended the Commission take appropriate action on each of these four  
21 issues.<sup>10</sup> CD thereafter referred the case to the Consumer Protection & Enforcement  
22 Division’s (CPED) Utility Enforcement Branch (UEB) for investigation. UEB’s  
23 investigation confirmed SCO’s findings and requests the Commission open an Order  
24 Instituting Investigation (OII) requiring the Coalition to show cause as to why they  
25 should not be ordered to return at least \$244,385 of misappropriated CASF grant funds.  
26 In addition, UEB requests that the Commission consider imposing penalties pursuant to

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<sup>8</sup> Letter from Ryan Dulin dated December 17, 2014.

<sup>2</sup> SCO concluded that the NIU Coalition owed \$182,801 and KCCD owed \$46,621, for a total of \$229,422. The total grant withholding was \$96,216.

<sup>10</sup> California’s One Million New Internet users Coalition Audit Report p. 11.

1 Public Utilities (PU) Code §§ 2108 and 2111 and other remedies against the Coalition,  
2 including its fiscal agent, KCCD, for violations of their grant terms.<sup>11</sup>

### 3 **II. BACKGROUND**

4 The Coalition is a group of community service agencies operating primarily in the  
5 Los Angeles area, since 1994. The Coalition is located at 3626 East 1<sup>st</sup> Street, Los  
6 Angeles, CA 90063. The Coalition is led and run by Mr. Larry Ortega who is also  
7 President/CEO of the Community Union Inc., a Coalition member that provided training  
8 to college students to then train parents (also called “Train the Trainer Program”).<sup>12</sup> The  
9 Coalition provides technology training courses for parents in the Los Angeles area.

10 KCCD is a non-profit faith-based organization located at 3550 Wilshire Blvd.,  
11 Suite #736, Los Angeles, CA 90010. Its president and CEO is Hyepin Im.<sup>13</sup> On August  
12 19, 2011, the KCCD took responsibility as fiscal agent for the Coalition.<sup>14</sup> KCCD on  
13 behalf of the Coalition submitted a consent form dated February 22, 2012 as a  
14 requirement of its application to become a CASF grant recipient. The consent form states  
15 that “The Consortium . . . hereby agrees to comply with all grant terms, conditions, and  
16 requirements set forth in Commission Decision 11-06-038 and Commission Resolution  
17 T-17355.”<sup>15</sup>

18 Pursuant to PU Code § 281(d), the Rural and Urban Regional Consortia Account  
19 (Consortia Grant Account) was created to fund the cost of broadband deployment  
20 activities. The Commission then adopted procedures and guidelines regarding the  
21 Consortia Grant Account in Decision (D.) 11-06-038. On February 21, 2012, the  
22 Commission’s Communication Division approved a \$450,000 California Advanced

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<sup>11</sup> All payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division update in writing the status of any adjustments. If this happens, Korean Churches for Community Development is responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions.

<sup>12</sup> NIU Coalition Application Attachment H, page 4.

<sup>13</sup> NIU Coalition Application Attachment A, Fiscal Agent Agreement.

<sup>14</sup> KCCD Fiscal Agent Agreement, dated August 18, 2011.

<sup>15</sup> NIU Coalition Application, Attachment H, Consent Form dated February 22, 2012.

1 Services Fund (CASF) grant to the Coalition for the period of March 1, 2012 through  
2 February 28, 2015.<sup>16</sup>

3 The Coalition’s CASF grant funding is primarily based on the objective to provide  
4 parents with technology training.<sup>17</sup> They budgeted \$450,000 from the CASF grant for  
5 such activities with a complete budget of \$1,159,959.<sup>18</sup> As a requirement of the  
6 Coalition’s grant, they developed an Action Plan and Work Plan to identify tasks and  
7 objectives to be met with the CASF funds they received. The Coalition’s Action Plan  
8 devised a seven step process to expand broadband in under-served communities.<sup>19</sup> A  
9 “key attribute” is the Train the Trainer program where community college students take a  
10 40-hour course regarding how to train parents and adult community members.<sup>20</sup>  
11 Community Union Inc. provides the Train the Trainer program, system, and curriculum  
12 for the Coalition’s training.<sup>21</sup> These community college students are then deployed at  
13 community-based computer labs to deliver training to the parents and community  
14 members.<sup>22</sup> Increasing parent engagement in their child’s education via technology gives  
15 parents the tools to help guide their children to college.<sup>23</sup> The Coalition’s Work Plan  
16 described in more detail over seven objectives. The seven objectives are:

- 17 1. Create awareness around the tremendous broadband resources  
18 and opportunities available within the region via NIU  
19 Conferences/Community Meetings;
- 20 2. Meet with Administrators (School site, library, community based  
21 organizations, community centers, etc.) to inform them about  
22 One Million NIU and the impact that it will have with their  
23 parents and other community members;

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<sup>16</sup> Commission Resolution T-17355.

<sup>17</sup> NIU Coalition Application, Attachment H, Action Plan, p. 5.

<sup>18</sup> NIU Coalition Application, Attachment H, Action Plan, p. 5.

<sup>19</sup> NIU Coalition Application, Attachment H, Action Plan, p. 4.

<sup>20</sup> NIU Coalition Application, Attachment H, Action Plan, p. 1.

<sup>21</sup> NIU Coalition Application, Attachment H, Action Plan, p 4.

<sup>22</sup> NIU Coalition Application, Attachment H, Action Plan, p 1.

<sup>23</sup> NIU Coalition Application, Attachment H, Action Plan, pp. 2-3.



- 1           3.     Meet with Parent and Community Leader(s) to inform them  
2           about One Million NIU and how they will learn to use the  
3           Internet to access critical on-line resources;
- 4           4.     Conduct Orientation Meetings with Community Colleges, and  
5           WIB (Workforce Investment Boards), link the two and begin  
6           Train the Trainer program to develop trainers who will conduct  
7           One Million NIU system;
- 8           5.     Conduct the 40 hour Parent Engagement through Technology  
9           sessions on school site, community-based organizations,  
10          community centers where computer labs are turned into  
11          Empowerment Hubs;
- 12          6.     One Million NIU Graduation Ceremony –huge press event,  
13          provides momentum to expand model in other schools,  
14          community based organizations and community centers; and
- 15          7.     Conduct post One Million NIU Graduate workshops, where the  
16          parents and community members are involved in email exercises,  
17          mobilizing on current issues, e.g. Dream Act, budget cuts,  
18          Opening the Revenue Spigot.<sup>24</sup>

19   **III.   COMMUNICATIONS DIVISION’S EARLY EFFORTS TO WORK**  
20   **WITH THE COALITION TO RESOLVE ISSUES WITHOUT**  
21   **ESCALATION FAILED**

22           Upon review of the Coalition’s performance after the first year of receiving grant  
23 funds (Year 1), the Commission’s Communication Division notified the Coalition in a  
24 letter issued on or about January 2014 of its concerns relating to its failure to achieve  
25 objectives in its Work Plan. Prior to the receipt of this letter, the Communications  
26 Division discussed with the Coalition in a conference call on or about February 25, 2013  
27 that they were not meeting their Work Plan objectives.<sup>25</sup> In particular, they only met  
28 85% of the parent engagement training and 19% of post One Million NIU Graduate  
29 workshops.<sup>26</sup> Year 2 funding was approved by the Communication’s Division with the  
30 understanding that the NIU Coalition would make-up for the Year 1 shortfalls in Year 2.  
31 Despite giving the Coalition the opportunity to catch-up, they fell further behind in Year

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<sup>24</sup> NIU Coalition Application Attachment I.

<sup>25</sup> Letter from Ryan Dulin, dated January 14, 2013 (note: January 14, 2013 is a typographical error. The letter was actually signed January 14, 2014), p. 2.

<sup>26</sup> California’s One Million New Internet Users Coalition Audit Report, pp. 11-12.

1 2. Only 49% of parent engagement training was achieved and only 36% of Graduate  
2 workshops were completed.<sup>27</sup> In addition, Communications Division staff found that two  
3 of the other objectives that had been fully met in Year 1 were only 58% complete in Year  
4 2. To follow-up on the Communication Division’s concerns, they initiated a conference  
5 call with Mr. Larry Ortega and Mrs. Alicia Ortega, Director of Fund Development for  
6 Community Union, on July 12, 2013 where CD staff warned them that they could  
7 withhold payment if the Coalition did not meet the performance objectives. The  
8 Communication’s Division authorized only up to \$49,088 in expenses for Year 3 (and up  
9 to \$10,000 in supplemental funding for the March 2014 Annual Summit).<sup>28</sup> While the  
10 Communications Division approved CASF funding to the Coalition for Year 2, it was  
11 based on the condition that they would catch-up to the goals they did not meet in Year  
12 1.<sup>29</sup> Because the Coalition continued to fall short of meeting its performance metrics, the  
13 Communications Division denied the grant payment for any expenses associated with this  
14 objective.<sup>30</sup>

15 The Coalition responded in June 2014 requesting that its \$150,000 budget be  
16 restored.<sup>31</sup> The Communication Division’s Director denied the Coalition’s request  
17 because performance metrics remained below their objectives.<sup>32</sup> In the Communications  
18 Division’s review of the Coalition’s Year 3 budget, it noted that “despite NIU’s claims  
19 that it is meeting performance targets, the majority of NIU’s sessions are for less than the  
20 40 hours stated in both the Work Plan and NIU’s original application.”<sup>33</sup> KCCD and Mr.  
21 Ortega sent additional letters in August and October, respectively, requesting restoration

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<sup>27</sup> California’s One Million New Internet Users Coalition Audit Report, pp. 11-12.

<sup>28</sup> Letter from Ryan Dulin dated January 14, 2013 (note: January 14, 2013 is a typographical error. The letter was actually signed January 14, 2014), p. 4.

<sup>29</sup> Letter from Ryan Dulin dated January 14, 2013, pp. 1-3.

<sup>30</sup> Letter from Ryan Dulin dated January 14, 2013, p. 4.

<sup>31</sup> Letter from Hyepin Im dated June 12, 2014.

<sup>32</sup> Letter from Ryan Dulin dated July 22, 2014, p. 1.

<sup>33</sup> Letter from Ryan Dulin dated July 22, 2014, p. 1.

1 of their budget.<sup>3435</sup> CD noted numerous issues that were disputed by the Coalition during  
2 the grant period. Subsequently, CD arranged for a site visit on October 15, 2014.

3 **A. CD Observed Significant Performance Issues**

4 On October 15, 2014, Ms. Devla Singh from the Commission’s Communication’s  
5 Division arranged for a site visit and met with the Coalition’s President/CEO, Mr. Larry  
6 Ortega. The purpose of the meeting was to have Mr. Ortega justify the costs and provide  
7 the appropriate documentation to support the Coalition’s budget request for Year 3;  
8 demonstrate where the CASF funds had been allocated when the Coalition reduced parent  
9 training curriculum from 40 hours to 20 hours in class time; and observe how the  
10 Coalition conducts their parent training class that had been scheduled in one of the sites.<sup>36</sup>  
11 Ms. Singh showed up to an elementary school that, according to the class calendar  
12 provided by the NIU Coalition, was scheduled to host a parent training class. However,  
13 Ms. Singh was informed by school administrators that no class was in session and only  
14 the initial orientation had been held earlier that morning.<sup>37</sup> During their meeting Mr.  
15 Ortega agreed to provide Ms. Singh with supporting documentation detailing how funds  
16 were spent.<sup>38</sup> Mr. Ortega did not follow through with his commitment. Instead, Mr.  
17 Ortega did not provide a response to Ms. Singh and proceeded to file its upcoming budget  
18 and request for funds for the second quarter of Year 3.

19 On December 17, 2014, Communications Division Director, Ryan Dulin, sent a  
20 letter to the Coalition and their fiscal agent addressing the issues brought up in his August  
21 8 and October 22 letters.<sup>39</sup> Mr. Dulin’s letter explained that despite meeting many of the  
22 other activities outlined in their grant, providing forty (40) hour training courses (as  
23 outlined in Activity V), was “consider[ed] as the core activity of the consortium; hence, it

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<sup>34</sup> Letter from KCCD dated August 8, 2014.

<sup>35</sup> Letter from NIU Coalition dated October 23, 2014.

<sup>36</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014.

<sup>37</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014.

<sup>38</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014.

<sup>39</sup> Letter from Ryan Dulin, CD Director, to NIU Coalition and KCCD, dated December 17, 2014.

1 is incumbent upon NIU to justify why a substantial reduction in in-class hours does not  
2 materially impact the outcomes.”<sup>40</sup> Furthermore, Mr. Dulin refuted the Coalition’s claim  
3 that they provided “5.5 million [media] impressions...to be [valued] greater than  
4 \$50,000” because Mr. Dulin explained that “at the end, these media coverages should  
5 result in actual number of persons trained through the NIU program.”<sup>41</sup><sup>42</sup> Mr. Dulin  
6 rejected the Coalition’s request for reinstatement of their grant and concluded, due to  
7 “NIU’s continued requests to recover grant funds for Year 3 and CASF staff’s concerns  
8 regarding NIU’s performance during Years 1, 2, and 3, I believe it is necessary for a  
9 third-party audit review to evaluate NIU’s CASF grant performance.”<sup>43</sup>

10 **B. Continued Contested Issues Ultimately Required**  
11 **Communications Division to Engage the State Controller’s**  
12 **Office to Audit the Coalition.**

13 CD engaged the State Controller’s Office (SCO) to initiate the audit on January  
14 15, 2015. The SCO found the following issues:<sup>44</sup>

- 15 1. The Coalition lacked proper internal control safeguards to ensure  
16 that the program functioned as intended and that the accounting  
17 records and source documents properly substantiated program-  
18 related activities and costs.
- 19 2. The Coalition provided only about 50% of broadband instructional  
20 training agreed upon in the CASF grant.
- 21 3. The Coalition did not provide complete records; therefore, this  
22 prevented the auditors from determining if any and all of the CASF  
23 reimbursed costs were also charged against other grants or funds.
- 24 4. KCCD charged \$46,621 for unallowable program activities.

25 The audit found that based on the Coalition’s submitted expenses of \$438,419 in  
26 program costs, the CASF grant should only cover \$170,983.<sup>45</sup> The Coalition failed to

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<sup>40</sup> Letter from Ryan Dulin, CD Director, to NIU Coalition and KCCD, dated December 17, 2014 p. 2.

<sup>41</sup> Letter from KCCD dated August 8, 2014 p. 1.

<sup>42</sup> Letter from Ryan Dulin, CD Director, to NIU Coalition and KCCD, dated December 17, 2014 p. 3.

<sup>43</sup> Letter from Ryan Dulin, CD Director, to NIU Coalition and KCCD, dated December 17, 2014 p. 3.

<sup>44</sup> California’s One Million New Internet Users Coalition Audit Report, p. 1.

<sup>45</sup> The Coalition’s total operating budget is \$1,159,959. The Commission awarded the Coalition

1 provide sufficient supporting documentation in order for the auditors to determine that  
2 the Coalition did not double-count its expenses. KCCD and the auditors have repeatedly  
3 requested for Community Union Inc. to provide complete records.<sup>46</sup> At this point, CD  
4 had already reimbursed \$353,784 to the Coalition for claimed program expenses. As a  
5 result, the State Controller's Office determined that the Coalition should return \$182,801  
6 (\$353,784 - \$170,983) to the CASF.<sup>47</sup>

7 Additionally, SCO reviewed KCCD's records related to expenses incurred related  
8 to its role as the Coalition's fiduciary agent which are eligible for reimbursement.<sup>48</sup>  
9 SCO's review of KCCD's records determined that KCCD's claim of \$46,621 for CASF  
10 related activities were not considered allowable administrative activities consistent with  
11 their Fiscal Agent Agreement, and therefore KCCD should return \$46,621 to the CASF.<sup>49</sup>  
12 In summary, SCO determined that the Coalition should return \$182,801 and KCCD  
13 return \$46,621, totaling \$229,422 to the CASF.

14 The table below is a summary of the total amount sought for reimbursement by the  
15 Coalition and the total amount deemed by the State Controller's Office as an  
16 overpayment to the Coalition:  
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\$450,000, which accounted for about 39% of the Coalition's operating budget. Since the Coalition refused to provide SCO with a full accounting or other sources of funding, SCO relied on their initial budget submitted with their application and prorated the Coalition's expenses (\$438,419) at 39%, and determined that the grant amount covered should only be \$170,983.

<sup>46</sup> Letter from Hyepin Im dated January 19, 2016, Response to Finding 5.

<sup>47</sup> California's One Million New Internet Users Coalition Audit Report, p. 5.

<sup>48</sup> D. 11-06-038 p. 25.

<sup>49</sup> California's One Million New Internet Users Coalition Audit Report p. 16.

### CASF Grant Payments

Total CASF Grant Awarded by the Commission <sup>50</sup>	\$ 450,000.00
Amount Withheld Pending SCO Audit <sup>51</sup>	\$ 96,216.00

Total Claims Submitted by the Coalition <sup>52</sup>	\$ 475,542.00
Amounts Disallowed by Communications Division <sup>53</sup>	\$ (106,795.00)
Total CASF Grant Payments by the Commission	<b>\$ 368,747.00</b>

### Overpayments based on SCO's Findings

Audited Program Costs <sup>54</sup>	\$ 438,419.00
Allowable Program Costs Allocated to CASF <sup>55</sup>	\$ 170,983.00
CASF Grant Payments by the Commission <sup>56</sup>	\$ 368,747.00

Overpayment of CASF Funds Above Allowable Costs	\$ 197,764.00
Overpayment from Unsupported Administrative Costs <sup>57</sup>	\$ 46,621.00
Total Overpayment to be Returned to the CASF Fund	<b>\$ 244,385.00</b>

1 **IV. THE COALITION REFUSED TO COMPLY WITH THE**  
2 **COMMISSION'S DEMAND LETTER**

3 Following the audit, the Commission's Communication Division sent a letter to  
4 the Mr. Larry Ortega, President/CEO of the Coalition along with a copy to their fiscal  
5 agent, KCCD, demanding that they return \$82,381 (\$46,621 of insufficiently documented

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<sup>50</sup> D.11-06-038 p. 37.

<sup>51</sup> Letter from Ryan Dulin dated December 17, 2014.

<sup>52</sup> NIU Coalition Expense Reimbursement Forms.

<sup>53</sup> NIU Coalition Expense Reimbursement Forms.

<sup>54</sup> California's One Million New Internet Users Coalition Audit Report p. 20.

<sup>55</sup> California's One Million New Internet Users Coalition Audit Report p. 20.

<sup>56</sup> SCO's audit showed a total payment of \$353,784. However, checks paid to the Coalition totaled \$368,747 because SCO did not receive one check for \$14,963 issued for start-up costs. Therefore UEB has updated the correct total to reflect the missing check. (\$14,963+\$353,784 = \$368,747).

<sup>57</sup> California's One Million New Internet Users Coalition Audit Report p. 11.

1 expenses plus \$35,760 for training hours claimed but not provided) by July 18, 2016 to  
2 the program.<sup>58</sup> To date, the monies have not been returned to the Commission.

3 On June 14, 2016, Maria Luisa Oakley of KCCD sent an email to CD requesting  
4 for an extension to respond to CD’s demand letter. CD denied the extension request on  
5 or about June 23, 2016 and did not receive any further response from Mr. Ortega or  
6 KCCD thereafter. CD later referred this matter to the Utility Enforcement Branch for  
7 enforcement action.

8 **V. THE COALITION REFUSED TO COMPLY WITH UEB’S DATA**  
9 **REQUEST AND DEMAND LETTER**

10 On July 21, 2017, the Commission’s Utility Enforcement Branch sent a data  
11 request to representatives of the Coalition, Mr. Larry Ortega and Ms. Hyepin Im, and  
12 instructed them to retain all records and communications related to the CASF grant and  
13 their related activities.<sup>59</sup> On July 28, 2017 after receiving a follow-up from UEB staff,  
14 Mr. Ortega requested a 60-day blanket extension to respond.<sup>60</sup> In addition, Mr. Ortega  
15 emailed staff a series of questions about the Commission’s jurisdiction and usage of this  
16 data.<sup>61</sup> On August 1, 2017, UEB responded to Mr. Ortega’s questions and denied his  
17 blanket request for extension and instead gave him the opportunity to extend the response  
18 time for necessary portions of the data request.<sup>62</sup> On August 4, Mr. Ortega sent an email  
19 objecting to UEB’s data request all together and asserted that UEB did not have authority  
20 to issue a data request because a formal proceeding was not opened.<sup>63</sup> Without providing  
21 anything further, Mr. Ortega included a link to the audit report and asserted that he  
22 “sufficiently responded to the request.”<sup>64</sup>

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<sup>58</sup> Letter from Ryan Dulin to Larry Ortega and Hyepin Im, dated April 18, 2016.

<sup>59</sup> UEB Data Request 1.0 dated July 21, 2017.

<sup>60</sup> Response to Data Request from Larry Ortega, dated July 28, 2017.

<sup>61</sup> Response to Data Request from Larry Ortega, dated July 28, 2017.

<sup>62</sup> Response to Larry Ortega, dated August 1, 2017.

<sup>63</sup> Response to Data Request from Larry Ortega, dated August 4, 2017.

<sup>64</sup> Response to Data Request from Larry Ortega, dated August 4, 2017.

1 On August 23, 2017, UEB’s counsel sent the Notice of Violation to California’s  
2 NIU for Failing to Provide Information and Responses Pursuant to Data Request 1.0,  
3 stating that Mr. Ortega’s response to UEB’s data request was not responsive because it  
4 failed to provide any of the information or documentation requested, and notified Mr.  
5 Ortega of his obligation to respond to UEB’s data request.<sup>65</sup> To date, Mr. Ortega or  
6 anyone on his behalf has not provided data and information responsive to UEB’s data  
7 request.

8 **VI. THE COALITION DID NOT DELIVER PROGRAM ACTIVITIES**  
9 **IN ACCORDANCE WITH THE TERMS OF THE CASF GRANT**

10 In accordance with the Commission’s requirements and stated obligations  
11 of CASF grant recipients, the Coalition submitted a Work Plan with the following  
12 goals:

- 13 1. Create awareness around the tremendous broadband resources and  
14 opportunities available within the region via NIU  
15 Conferences/Community Meetings;
- 16 2. Meet with Administrators (School site, library, community based  
17 organizations, community centers, etc.) to inform them about One  
18 Million NIU and the impact that it will have with their parents and  
19 other community members;
- 20 3. Meet with Parent and Community Leader(s) to inform them about  
21 One Million NIU and how they will learn to use the Internet to  
22 access critical on-line resources;
- 23 4. Conduct Orientation Meetings with Community Colleges, and WIB  
24 (Workforce Investment Boards), link the two and begin Train the  
25 Trainer program to develop trainers who will conduct One Million  
26 NIU system;
- 27 5. Conduct the 40 hour Parent Engagement through Technology  
28 sessions on school site, community-based organizations, community  
29 centers where computer labs are turned into Empowerment Hubs;
- 30 6. One Million NIU Graduation Ceremony! –huge press event,  
31 provides momentum to expand model in other schools, community  
32 based organizations and community centers; and

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<sup>65</sup> Notice of Violation to California’s One Million New Internet Users Coalition (NIU) for Failing to Provide Information and Responses Pursuant to Data Request 1.0.



1           7. Conduct post One Million NIU Graduate workshops, where the  
2           parents and community members are involved in email exercises,  
3           mobilizing on current issues, e.g. Dream Act, budget cuts, Opening  
4           the Revenue Spigot.<sup>66</sup>

5           CD found that the Coalition had not performed the activities they pledged  
6           to complete. Specifically, training was provided to fewer parents than the  
7           Coalition committed, while the number of workshops fell below the frequency  
8           they pledged to hold in accordance with their Work Plan. The Coalition also  
9           misrepresented their schedule of classes given. Of the seven goals in their Work  
10          Plan, goal number five and seven were used to gauge performance throughout the  
11          grant period and were critical to the completion of the grant.<sup>67</sup> Due to concerns  
12          that the Coalition was not fulfilling their stated objectives with the grant fund  
13          money, CD engaged SCO to initiate an audit.

14           **A. The Coalition failed to deliver training to the number of**  
15           **parents they committed to.**

16          The Coalition committed to providing 40 hours of training for 790 parents each  
17          year.<sup>68</sup> The Coalition alleged that it cost \$190 to run one parent through one NIU training  
18          course.”<sup>69</sup>

19          After the first year of the grant, the Coalition only trained 671 parents, which was  
20          only 85% of its annual target.<sup>70</sup> To make up for this shortfall, the Coalition committed to  
21          training 909 parents in Year 2.<sup>71</sup> However, by the 3<sup>rd</sup> quarter of the 2<sup>nd</sup> year, the  
22          Coalition only trained 446 parents, meeting only 49% of its 2<sup>nd</sup> year target.<sup>72</sup> CD  
23          expressed its concern to the Coalition about their failure to meet the target goals because

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<sup>66</sup> NIU Coalition Application Attachment I.

<sup>67</sup> Goals five and seven provided for number of classes actually provided.

<sup>68</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

<sup>69</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

<sup>70</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

<sup>71</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

<sup>72</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

1 “The performance metric that represents the crux of what NIU’s funding is based  
2 upon.”<sup>73</sup> At the conclusion of the grant, the Coalition only showed 125 classes during the  
3 10 quarters of submitted claims.<sup>74</sup> In the 125 classes, the Coalition only listed 1,779  
4 students graduating from the program, which is 75% of what they stated they would  
5 achieve.

6 **B. The Coalition failed to conduct workshops at a rate they**  
7 **committed to.**

8 The Coalition also committed to “[c]onduct post One Million NIU Graduate  
9 workshops, where NIU Graduates engage in email exercises and mobilizing on current  
10 issues. The initial approved Work Plan in January 2012 targets 65% of the 790 NIU  
11 Graduates (514 NIU graduates) will enter the post-NIU workshops.”<sup>75</sup> However, at the  
12 conclusion of year 1 CD determined that the Coalition only achieved 19% completion  
13 rate of this objective. Despite the additional flexibility given to the Coalition by  
14 providing a substantial change to the goal (changing from number of graduates to number  
15 of modules), the Coalition was still only at 36% of completion by Year 2 Quarter 3.<sup>76</sup>

16 **C. The Coalition failed to schedule classes until the**  
17 **Communications Division notified them of an upcoming**  
18 **site visit.**

19 Prior to the site visit on October 15, 2014, CD staff notified Mr. Larry Ortega on  
20 October 6, 2014 that it planned to conduct a visit of one of the Coalition’s scheduled  
21 classes at Edison Elementary School in Anaheim. It appears that Coalition staff, Neri  
22 Rivas contacted Edison Elementary on October 8, 2014 to schedule classes only after she  
23 received CD’s site visit notification. When CD staff arrived on October 15, 2014 at  
24 10:00 am, no instructional class was in session.<sup>77</sup> According to the Coalition, October 15,

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<sup>73</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

<sup>74</sup> QuarterlyReport\_OneMillion NIU\_Y3Q1.

<sup>75</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 2.

<sup>76</sup> Letter from Ryan Dulin to NIU Coalition and KCCD dated January 14, 2013 p. 3.

<sup>77</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014 p. 1.

1 2014 was supposed to be the 3<sup>rd</sup> day of the class and 2<sup>nd</sup> day of full instructions was  
2 supposed to take place from 8:15am to 11:15am.<sup>78</sup>

3 UEB staff notes that the Coalition had misrepresented their schedule of classes  
4 because the schedule provided in their quarterly reports, stated that the course should  
5 have started on October 9, 2014.<sup>79</sup> This draws additional concerns about the Coalition’s  
6 credibility, and raises the question of whether the Coalition had misrepresented the  
7 occurrence of the other classes in a similar manner. Additionally, given the timing of  
8 events, it is questionable if the class would have actually been held at Edison Elementary  
9 had CD staff not announced a site visit. The Coalition’s suspicious training scheduling  
10 conduct, when viewed in the context of the previously-mentioned unannounced reduction  
11 of course hours within the first two quarters of the grant, and the Coalition’s persistent  
12 uncooperative stance with SCO and UEB staff, raises serious concerns about the veracity  
13 of the purported courses the Coalition claims to have provided.

14 **VII. NIU COALITION AND KCCD FAILED TO MAINTAIN**  
15 **NECESSARY RECORDS AND DID NOT ESTABLISH SUFFICIENT**  
16 **ADMINISTRATIVE AND ACCOUNTING INTERNAL CONTROLS**

17 Pursuant to D.11-06-038, section 5:

18 An applicant is required to keep detailed records, i.e. invoices and  
19 receipts, of each program element as specified below. These program  
20 elements must, in turn, be supported by an attached Action Plan and  
21 Work Plan, as well as execution of a Consent Form.  
22

23 During the course of the State Controller’s Office audit, the Coalition did not  
24 provide the auditors with the records or source documents that it was required to maintain  
25 and provide during the audit.<sup>80</sup> The auditors noted that the Coalition had not maintained  
26 the required accounting records, such as a general ledger containing transactions relating  
27 to their assets, liabilities, revenue, and expenses.<sup>81</sup> The Coalition attempted to provide

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<sup>78</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014 pp. 1-2.

<sup>79</sup> Copy of NIU Calendar October 2014.

<sup>80</sup> NIU - Chronological Correspondence from SCO.

<sup>81</sup> California’s One Million New Internet Users Coalition Audit Report p. 12.

1 what they called was a “general ledger,”<sup>82</sup> however, SCO deemed it inadequate because it  
2 did not contain the proper information of a general ledger (e.g. segregation of funds from  
3 different sources). Rather, SCO reviewed the cancelled checks and KCCD’s records of  
4 administrative expenses and found that the Coalition incurred \$438,419 for CASF  
5 program-related expenses for the audit period.<sup>83</sup> The entire \$438,419 cannot be attributed  
6 to the Commission’s CASF grant award because the Coalition acknowledges that there  
7 were other grants that also paid for their program costs.<sup>84</sup> However, SCO was unable to  
8 obtain accounting records or source documents relative to their non-CASF funds in order  
9 to determine the proportion of program activities, costs, recordkeeping, and claims that  
10 was charged against the Coalition’s other sources of funds.<sup>85</sup>

11 Absent documentation means of identifying the different sources of funding and  
12 each fund’s related expenses or any more detailed description of the scope of activities  
13 covered by these other sources of funds, SCO had to estimate the grant amount that  
14 would cover the Coalition’s expenses. The Coalition stated that their total operating  
15 budget was \$1,159,959, \$709,959 coming from other sources (non-CASF funds). As  
16 such, SCO compared the initial grant amount of \$450,000 awarded to the Coalition with  
17 their operating budget of \$1,159,959, and estimated that the appropriate Commission’s  
18 CASF grant awarded to the Coalition should only be at 39% ( $\$450,000 / \$1,159,959$ ).<sup>86</sup>  
19 Therefore, even though the Coalition submitted expenses totaling \$438,419, SCO found  
20 that only \$170,983 (39% of \$438,419) in expenses should be recovered through the  
21 CASF grant. This approach results in a conservative estimate because it assumes that  
22 unlike the CASF reimbursements, the Coalition’s other grants only reimbursed at a  
23 proportion of the Coalition’s total expenses.

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<sup>82</sup> See GL Sept 12-Sep 14.”

<sup>83</sup> California’s One Million New Internet Users Coalition Audit Report, p. 20.

<sup>84</sup> California’s One Million New Internet Users Coalition Audit Report, p. 21.

<sup>85</sup> California’s One Million New Internet Users Coalition Audit Report pp. 11, 20-21.

<sup>86</sup> California’s One Million New Internet Users Coalition Audit Report, Schedule 1.

1 Furthermore, timecards from Coalition staff, produced after SCO's initial audit  
2 results were released, and were not signed and authenticated by the individual employees  
3 or trainers.<sup>87</sup> Most importantly, the auditors could not find any evidence to support that  
4 these timecards were created at the time the activities took place, raising doubts on the  
5 authenticity of these timecards.<sup>88</sup>

6 Similarly, during UEB's investigation, the Coalition did not provide Commission  
7 staff with any accounting records or documents. Mr. Ortega only referred to the audit in  
8 his response and did not provide any additional information.<sup>89</sup> According to the  
9 Coalition's former accountant, Louis Briones, he was engaged to create the Coalition's  
10 accounting system; however, approximately six months into the project, Mr. Ortega  
11 cancelled the project and took back all of their documents.

12 Based on the Coalition's lack of responses to both UEB and SCO, it is apparent  
13 that the Coalition did not meet their obligation to maintain detailed records of CASF  
14 related expenses.

15 **A. Fiscal agent, KCCD, failed to ensure the Coalition**  
16 **implemented sufficient internal controls.**

17 Decision (D.)11-06-038 required that the fiscal agent, KCCD, take the lead  
18 responsibility to ensure that the Coalition maintained the required records documenting  
19 approved CASF activities. Specifically, section 6.4.4, states:

20 Each Regional Consortium must retain at least one Fiscal Agent with  
21 *lead responsibility and legal authority to represent the consortium for*  
22 *purposes of sponsoring the application, and for administration of*  
23 *Consortium activities, including receipt and disbursement of*  
24 *Consortium grant funds.[emphasis added] In any event, the Fiscal*  
25 *Agent must affirmatively agree, on behalf of the Consortium, to comply*  
26 *with the Commission's directives and conditions relating to the review,*  
27 *approval, and administration of any Consortia application grants. This*  
28 *requirement is to provide assurance that Consortium members or*

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<sup>87</sup> Time cards supposedly showed hours worked by employees and were used by payroll. However, they were not signed by the employees. Combined with the fact that they were only provided after the initial audit, it appears that the time cards were created after the fact and not used during the grant period.

<sup>88</sup> California's One Million New Internet Users Coalition Audit Report p. 12.

<sup>89</sup> Response to Data Request from Larry Ortega.

1 contractors retained by the Consortium are capable and committed to  
2 delivering on the commitments to be funded.

3 Specifically as fiscal agent for the Coalition, KCCD’s responsibilities include but  
4 were not limited to:

- 5 • Verifying that CASF program activities are in compliance with the  
6 California Public Utilities Commission’s Resolution T-17355 and  
7 progressing according to the approved work plan milestones;
- 8 • Receiving and reviewing all claim requests for CASF reimbursement
- 9 • Verifying CASF services rendered;
- 10 • Requesting program-related reimbursements and accepting payments  
11 from the CPUC;
- 12 • Maintaining all financial records; and
- 13 • Disbursing payments to the Coalition.<sup>20</sup>

14 However, as the SCO audit found, KCCD failed to ensure that the Coalition  
15 maintained the required records:

16 “The California’s One Million New Internet Users (NIU) Coalition  
17 lacks adequate administrative and accounting internal controls to ensure  
18 proper accounting for the California Advanced Services Fund (CASF)-  
19 funded Consortia Program activities and program-related costs. Further,  
20 the NIU Coalition lacks proper accounting records and evidence of  
21 timely-prepared source documents for the CASF Program activities and  
22 related costs. *These deficiencies are due to (1) inadequate oversight by*  
23 *the NIU Coalition’s fiscal agent, Korean Churches for Community*  
24 *Development (KCCD), and (2) authority for making program-related*  
25 *operational and budget decisions is concentrated solely with one person,*  
26 *the NIU Coalition’s co-founder.”<sup>21</sup>*

27 KCCD failed to complete the duties required of them as fiscal agent and did not  
28 comply with its obligation to verify compliance of the Coalition’s operations with the  
29 Commission’s requirements.

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<sup>20</sup> California’s One Million New Internet Users Coalition Audit Report p. 11.

<sup>21</sup> California’s One Million New Internet Users Coalition Audit Report p. 11.

1 **VIII. KCCD CLAIMED IMPROPER ADMINISTRATIVE COSTS**

2 KCCD claimed and received \$53,165 of CASF grant funds for administrative  
3 costs, but only provided documentation to substantiate \$6,544 of approved CASF  
4 Program related costs.<sup>22</sup> The type of costs KCCD submitted reimbursement related to,  
5 planning hiring staff, creating e-mail Blast, flyers/promotions, elected official certificates,  
6 graduation preparation and ceremony, creating and reviewing reports, and taking video  
7 and pictures.<sup>23</sup> KCCD provided additional documentation to attempt to substantiate their  
8 expenses; however, the documentation it submitted was associated with the costs of tasks  
9 approved as training-related activities of the Coalition rather than administrative expenses  
10 related to its fiduciary duties.<sup>24</sup> Therefore, without documentation from KCCD  
11 demonstrating the expenses are appropriate administrative costs, UEB staff agrees with  
12 the Auditor’s finding that KCCD improperly received \$46,621 (\$53,165 - \$6,544) in  
13 reimbursements and hence this amount should be returned to the Commission.

14 **IX. THE COALITION DEVIATED FROM ITS WORK PLAN**  
15 **WITHOUT COMMISSION APPROVAL WHILE MISLEADING**  
16 **THE COMMISSION WITH CONTRARY SUBMISSIONS**

17 In D.11-06-038, the Commission required that all CASF grantees be bound  
18 to the requirements and obligations set forth in their Work Plan.<sup>25</sup> During all 3  
19 years of the grant, the Coalition submitted Work Plans that established they  
20 would:

21 Conduct the 40-hour Parent Engagement through Technology sessions on  
22 school site, community-based organizations, community centers where  
23 computer labs are turned into Empowerment Hubs. Performance  
24 Measure(s): Annual Target number of Parents to complete the 40 hours of  
25 training: 790.<sup>26</sup>

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<sup>22</sup> California’s One Million New Internet Users Coalition Audit Report p. 17.

<sup>23</sup> California’s One Million New Internet Users Coalition Audit Report p. 18.

<sup>24</sup> California’s One Million New Internet Users Coalition Audit Report p. 18.

<sup>25</sup> D.11-06-038, p.41, Order No. 18.

<sup>26</sup> Commission approved Work Plan for January 2012.

1           The Coalition represented that it had “far surpassed our goals”<sup>97</sup> when in  
2 reality, the 40 hours of class training were cut in half to 20 hours.<sup>98</sup> They failed  
3 their commitment to provide 40 hours of class training to each of their students.  
4 This significant reduction in training hours occurred without the required prior  
5 Commission notification.<sup>99</sup> In addition to not disclosing to the Commission that  
6 the Coalition reduced its training hours, the Coalition repeatedly submitted their  
7 annual work plan for all three years of the grant based on a 40 hour work plan  
8 despite having reduced actual training hours.

9           Pursuant to Public Utilities Commission Rule 1.1:

10           Any person who signs a pleading or brief, enters an appearance, offers  
11 testimony at a hearing, or transacts business with the Commission, by such  
12 act represents that he or she is authorized to do so and agrees to comply  
13 with the laws of the State; to maintain the respect due to the Commission,  
14 members of the Commission and its Administrative Law Judges; and never  
15 to mislead the Commission or its staff by an artifice or false statement of  
16 fact or law.

17           The Coalition repeatedly made false claims to the Commission by reporting  
18 that they provided 40 hours of instruction despite reducing instructions to 20  
19 hours. As noted in the Communication Division’s December 17, 2014 letter, the  
20 Coalition “gave the impression that the Consortium has been offering the 40-hour  
21 in-class training in all its quarterly reports and in its requests for Year 2 and Year 3  
22 budgets.” The Coalition’s application and subsequent annual work plan  
23 submissions to the Commission all falsely claimed that they were still providing  
24 40-hour training programs. The Coalition misled the Commission by making false  
25 reports, thereby violating Rule 1.1.

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<sup>97</sup> Cover letter Year 2 Work Plan dated February 27, 2013, p. 1.

<sup>98</sup> Letter from Hyepin Im to the Commission dated August 8, 2014.

<sup>99</sup> Memo NIU visit from Devla Singh to management dated October 22, 2014, p. 2.



1 **X. ABSENT DOCUMENTATION, THE UNEXPLAINED DIFFERENCE**  
2 **BETWEEN THE COALITION’S TOTAL PROGRAM FUNDS AND**  
3 **ITS ACTUAL EXPENSES RAISES THE QUESTION OF THE**  
4 **COALITION’S IMPROPER USE OF GRANT FUNDS**

5 Based on the budget the Coalition submitted in its application for a CASF grant,  
6 the Coalition requested and received far more funding during the grant period than the  
7 expenses that the State Controller’s Office could validate.<sup>100</sup> As such, this raises the  
8 question of whether the Coalition is seeking duplicate recovery of its expenses from other  
9 grants. As a grant recipient, the Coalition bears the burden of providing supporting  
10 documentation for the expenses they intend to claim for reimbursement from the CASF  
11 fund.<sup>101</sup> When the Coalition sought reimbursement for expenses incurred, they promptly  
12 provided copies of invoices for administrative expenses, invoices summarizing the  
13 expenses of the trainers retained and/or hired by Community Union, Inc., and receipts for  
14 supplies. In contrast, after the Coalition had already received reimbursement, they have  
15 adamantly refused to provide the required documentation when the Coalition was asked  
16 by UEB and SCO to provide supporting documentation to account for its expenses.

17 **A. The Coalition refused to provide other sources of funding**  
18 **making it impossible for staff to determine if claimed**  
19 **expenses were previously reimbursed by other grants.**

20 The Coalition received the \$450,000 CASF grant from the Commission based on  
21 their estimate of total program funding of \$1,159,959. This budget reflects \$709,959 in  
22 additional funding from other sources beyond the \$450,000 CASF grant provided by the  
23 Commission.<sup>102</sup> It is unknown to UEB staff what other sources of funding account for  
24 the difference between the total program funding and the CASF grant funding. UEB is  
25 unable to determine what other sources of funding account for the difference because, the  
26 Coalition has refused to provide UEB staff with a complete list of other sources of  
27 funding after repeated requests,<sup>103</sup> thus further frustrating staff’s efforts to verify the

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<sup>100</sup> The Coalition claimed to have \$1,159,959 in funding; however, SCO only totaled \$438,419.

<sup>101</sup> D.11-06-038 p. 17 and 29.

<sup>102</sup> NIU Coalition Original Application Attachment J.

<sup>103</sup> UEB Data Request 1.0 dated July 21, 2017; Notice of Violation to California’s One Million New

1 stated operating budget. SCO’s audit only identified \$438,419 in total expenses for the  
2 period.<sup>104</sup> The drastic difference between the Coalition’s reported funds and expenses  
3 raises the specter of whether they have been seeking duplicate recovery of expenses  
4 across multiple grants. the Coalition uncooperative stance in both the audit and staff’s  
5 investigation is a clear red flag pointing to the potential misuse of grant funds from the  
6 Commission and other sources.

7 By failing to maintain or provide any of the required records, the Commission is  
8 not able to verify that the grant funds were properly spent including whether or not the  
9 Coalition received double recovery from multiple sources of grants for some or all of its  
10 claimed expenses. Furthermore, the disproportionate amount of grant funds in relation to  
11 actual expenses, along with the Coalition’s evasive and uncooperative attitude makes it  
12 suspicious and creates a reasonable concern that the funds were not properly spent.

13 **B. The Coalition charged schools for training.**

14 Despite The Coalition’s refusal to provide other sources of funding, UEB staff has  
15 found a contract between NIU’s Coalition member, Community Union, and Huntington  
16 Beach Unified High School District suggesting that the Coalition charged the school  
17 district at a rate of \$90 per parent up to 60 parents for a total of \$5,400.<sup>105</sup> Staff has also  
18 found numerous signature pages for similar contracts.<sup>106</sup> The \$90 per parent charge to  
19 schools accounts for nearly half of the \$190 cost as represented to the Commission, and  
20 was supposedly covered in full by the Commission.<sup>107</sup> This problem is further  
21 compounded by NIU’s reduction in class time by half since the first two quarters of the  
22 grant period.<sup>108</sup>

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Internet Users Coalition (NIU) for Failing to Provide Information and Responses Pursuant to Data Request 1.0 dated August 23, 2017.

<sup>104</sup> California’s One Million New Internet Users Coalition Audit Report p. 7.

<sup>105</sup> HBHSU Memorandum of Understanding.

<sup>106</sup> Signature pages.

<sup>107</sup> NIU Coalition Application Attachment H Action Plan.

<sup>108</sup> Letter from KCCD dated August 8, 2014.

1 According to the contract with the Huntington Beach Unified High School  
2 District, Community Union represents their total cost of training to be \$450 per parent;  
3 however, this is contrary to the Coalition’s Work Plan which states that the cost for  
4 training is \$190 per parent.<sup>109</sup> Contracts maintained by Community Union shows a wide  
5 range of costs represented to different schools which are found to be as high as \$900 per  
6 parent. This significant discrepancy draws considerable concerns about NIU’s  
7 representation of their expenses and use of CASF grant funds.

8 **C. The Coalition did not maintain required audited financial**  
9 **statements, thus preventing any verification of its**  
10 **activities.**

11 As a grant recipient, the Coalition is required to keep detailed records of program  
12 expenses.<sup>110</sup> As the fiscal agent, KCCD is also required to maintain all financial records  
13 relating to the project according to generally accepted accounting principles, retain  
14 records, make records available to auditors and affirm that the work will be completed in  
15 an attestation report.<sup>111</sup>

16 However, neither the Coalition nor their fiscal agent, KCCD, was able to produce  
17 the required accounting records during the audit by SCO.<sup>112</sup> During UEB’s investigation,  
18 KCCD stated they did not maintain any accounting records for the Coalition.<sup>113</sup> The  
19 Coalition refused to provide any additional records and only referred UEB staff to SCO’s  
20 audit report.<sup>114</sup>

21 In addition, UEB staff was informed by the Coalition’s former accountant Louis  
22 Briones that prior to his engagement, the Coalition did not maintain a general ledger or  
23 similar accounting system. He was engaged to create a system for the Coalition;

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<sup>109</sup> HBHSU Memorandum of Understanding; and Letter from Ryan Dulin to NIU and KCCD dated January 14, 2013 p. 3.

<sup>110</sup> D. 11-06-038 section 5.

<sup>111</sup> KCCD Fiscal Agent Agreement, dated August 18, 2011.

<sup>112</sup> California’s One Million New Internet Users Coalition Audit Report pp.11-12.

<sup>113</sup> KCCD response to California’s One Million new Internet Users Coalition DR 1.0.

<sup>114</sup> Response to Data Request from Larry Ortega, dated August 4, 2017.

1 however, as previously mentioned, this project was subsequently cancelled by the  
2 Coalition's President, Larry Ortega.

3 **XI. CONCLUSION AND RECOMMENDATIONS**

4 Staff requests that the Commission open an OII into the NIU Coalition's activities  
5 associated with the CASF grant described in this report and order the NIU Coalition to  
6 show cause as to why they should not be ordered to return at least \$244,385 to the  
7 Commission. The Coalition's lack of cooperation has obstructed UEB's ability to  
8 continue its investigation into whether they properly claimed expenses and raises serious  
9 concerns about whether they misused public funds. As described throughout this report,  
10 the Coalition's failure included:

- 11 1. The Coalition lacked proper internal control safeguards to ensure  
12 that the program functioned as intended and that the accounting  
13 records and source documents properly substantiated program-  
14 related activities and costs.
- 15 2. The Coalition provided only about 50% of broadband instructional  
16 training agreed upon in the CASF grant.
- 17 3. NIU did not provide complete records; therefore, this prevented the  
18 auditors from determining if any and all of the CASF reimbursed  
19 costs were also charged against other grants or funds.
- 20 4. KCCD sought \$46,621 for unallowable CASF program activities.

21 In addition, staff from the Utilities Enforcement Branch request the Commission  
22 to consider imposing penalties and other remedies against the NIU Coalition and its  
23 fiscal agent, KCCD, for failing to comply with the terms of the CASF grant and for any  
24 other violations determined in the OII.