

COUDERT BROTHERS

ATTORNEYS AT LAW

1627 I STREET, N.W.
WASHINGTON, D.C. 20006
TEL: 202 775-5100 FAX: 202 775-1168

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June 23, 1998

Mr. James F. Hinchman
Comptroller General
General Accounting Office
441 G Street, N.W.
Room 7800
Washington, D.C. 20548

Subject: Investigation and Audit of Schools and Libraries Corporation
Reference: Reply to ISIS 2000 Letter dated June 5, 1998

Dear Mr. Hinchman:

On June 5, 1998, you received a letter from Integrated Systems and Solutions, Inc. ("ISIS 2000"), an unsuccessful bidder to provide Internet Access Services to the K-12 schools in the State of Tennessee under the federal Universal Service Fund ("USF") program. In the letter, ISIS 2000 asks that you expand your investigation and audit of the Schools and Libraries Corporation ("SLC") to include a review of the State's pending Application for USF support. The purpose behind the ISIS 2000 request is not to insure proper funding procedures and guidelines are in place for the SLC, which is the focus of your investigation and audit, but rather solely to delay the State's access to USF support mechanisms and, thereby, effectively to prejudge the State's Application properly undergoing review before the FCC and the SLC at this time. For this reason, the ISIS 2000 request should be denied.

As you are aware from the ISIS 2000 letter, the SLC shortly will be processing and reviewing the State's pending Application for USF support to determine its eligibility for discounts. Because an Objection has been filed with the Commission by ISIS 2000, appropriate consultation and guidance has been requested from the Commission by the SLC, and the parties' positions have been fully briefed and properly placed before both bodies for decisions¹. Thus, full procedural protections for the USF are in place with respect to the

¹ See Report to Congress, FCC 98-85, released May 8, 1998, at paragraph 9. See also H.R. 3579, Section 2005(b)(2)(A), signed into law by President Clinton on May 1, 1998.

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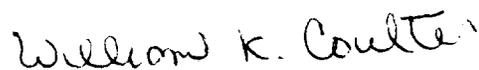
State's Application, more so than in the case of any uncontested Applications. Accordingly, particularly in the case of the instant Application, there is every reason to assume that the question of eligibility will have all of the scrutiny and due process protections required by law.

Furthermore, the suggestion that your office should begin to scrutinize individual Applications, and to rule on their merits in lieu of the SLC and Commission, undercuts your requested advisory and oversight role as well as the due process of the parties. The Commission and the SLC, in the first instance, are better situated (having access to the various detailed documentation of the parties) to address the substance of the Objection before them at this juncture.

Finally, while we will not address the substance of the ISIS 2000 Objection at this time--preferring to await any Commission decision--we should note that the basis for the ISIS 2000 request to you for an audit is that their proposal was rejected by the State of Tennessee even though it was for "\$23 million less" than the price of the winning bidder and for "the same overall scope of services". The records at both the State and the Commission, however, clearly show that the ISIS 2000 proposal was for a "significantly inferior service" requiring major additions in the future and that the proposal was "essentially non-responsive". Also, the records clearly show that the total cost of the ISIS 2000 proposal was at least "\$44 million more", when these additions were factored in, and that the State selected the lowest pre-discount price and followed State law in considering price as the primary factor in its decision. Finally, the State is pleased that it was able to award a contract for a service which will give every student 3 hours of reliable internet usage per week at less than \$17 per student per year, a remarkably low price compared to other Applications before the SLC.

For the above reasons, we respectfully request that the ISIS 2000 request to prejudice our Application, and thereby the rights of the students and schools of Tennessee, be rejected.

Sincerely,



William K. Coulter

WKC:clz

Enclosures

cc: Jeffrey Linder, Esq., ENA
Debra Kriete, Esq., SLC
Irene Flannery, Esq., FCC
FCC Docket 96-45, FCC