



**USAC – Schools & Libraries Support Mechanism
Interim Response to the Recommendations of the
Task Force on the Prevention of Waste, Fraud, and Abuse**

November 26, 2003

This summary of Task Force recommendations and Universal Service Administrative Company (USAC) management responses on the status of implementation follows the structure and numbering in the Report entitled Recommendations of the Task Force on the Prevention of Waste, Fraud, and Abuse, dated September 22, 2003. Where the jurisdiction for action resides with the Federal Communications Commission (FCC), USAC does not include a management response.

Task Force Recommendations and USAC Responses:

1. Building Blocks

- a. The Task Force recommends that the discount matrix be revised.**
Revise the discount matrix to cap Priority Two discounts at 80%; if insufficient funding to support entire 80% band, pro-rate funding commitments across the band.
Jurisdiction: FCC
- b. The Task Force recommends that the Commission consider imposing a ceiling on the amount of funding that an applicant can request.**
Subject an applicant's Priority One and Priority Two funding requests to a ceiling. The ceiling should not favor particular kinds (sizes) of applicants. The formula should be simple to administer, easy to understand, based on readily available data, and grounded in a sound and logically defensible policy. Integrate the formula into the FCC Form 471.
Jurisdiction: FCC
- c. The Task Force makes two recommendations for addressing issues related to the competitive bidding process.**
(1) Convene a process to better match the complexity of the application process with the complexity of individual applicant situations. At a minimum, explore creating simpler versions of FCC Forms 470 and 471 for smaller and less complex applications. (2) Modify FCC Form 470 to require the applicant to list generally the types of products and services being sought, regardless of whether they have also prepared an RFP. Make clear to applicants that the list should

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represent what the applicant needs and wants to purchase. Continue to review competitive bidding process with applicants and service providers.

Jurisdiction: FCC

- d. **The Task Force recommends that the goals, requirements and procedures associated with the E-rate program's technology planning process be reviewed in accordance with other pertinent federal requirements for technology planning.**

Review technology planning goals, requirements, and procedures in accordance with similar or related requirements of the U.S. Dept. of Education (ED) and the U.S. Institute for Museum and Library Services (IMLS).

Jurisdiction: FCC/USAC

Response: FCC staff, USAC, and ED have convened a series of meetings to address related technology planning requirements, to analyze similarities and to identify opportunities to reduce the burden on schools and libraries. In December 2003, USAC will participate in a national meeting convened by ED, to discuss technology planning and recent audit findings with members of the State Education Technology Directors Association (SETDA). The FCC staff and USAC plan to initiate discussions with IMLS about technology planning goals and requirements.

2. Clarity of Rules

- a. ***Prior to the start of the annual training cycle, the Schools and Libraries Division (SLD) needs to provide clear policy, procedures, eligible services list, etc., for the upcoming program year and work to minimize the need for clarifications of the rules during the Program Integrity Assurance (PIA) review process.**

Jurisdiction: FCC/USAC

Response: Implemented. Prior to the Train-the-Trainer workshops for State coordinators held in Arlington, VA, September 24-26, 2003, the FCC staff and USAC staff consulted closely on training materials and the Eligible Services List for Funding Year 2004 so that guidance would be clear prior to the Funding Year 2004 application process. PowerPoint presentations on the topics covered at the workshops are posted on the USAC website to assist trainers in their State and local training sessions, as well as all other interested parties. On October 10, 2003, USAC posted a new Eligible Services List to the website in anticipation of the Funding Year 2004 application process. In addition, USAC has conducted a series of webcast training workshops on a variety of topics aimed at service providers, with session notices and registration information posted on the USAC website and broadcast through email to service providers. Continuing discussions with FCC staff have provided additional clarification and expanded guidance on some matters since the window for filing applications for Funding Year 2004 opened. Appropriate information is posted to the USAC website as it becomes available.

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- b. The Task Force recommends that the SLD work with stakeholder groups to develop voluntary, instructional guidelines on what would be considered the generally reasonable cost and functionality for common E-rate-eligible products and services.**

Jurisdiction: USAC

Response: USAC is assessing strategies and alternative approaches for making available guidelines on cost and functionality of certain eligible products and services that would be useful and timely, while considering the practical concerns of maintaining a current and accurate list.

- c. Establish and publish service life guidelines for common products.**

Jurisdiction: FCC

- d. The FCC should make clear that applicants may not transfer equipment within the service life period without SLD waiver.**

Jurisdiction: FCC

- e. The Task Force recommends that the SLD establish and publicize reasonable standards for warranties or other defined hardware support services for Internal Connections equipment that are tied to the recommended service life guidelines.**

Jurisdiction: FCC/USAC

Response: USAC will develop a response to this recommendation following FCC action on the closely related recommendations on service life guidelines and equipment transferability in items c and d above.

- f. *The SLD should make public the same detailed, product-specific information on eligible services that is provided to PIA reviewers. Publish the list on the web, and clarify that the list is not exclusive and that eligibility remains conditional upon specific uses of a product or service. Ensure the list is kept current and that new products or services are quickly evaluated for inclusion.**

Jurisdiction: FCC/USAC

Response: USAC is evaluating several options that will improve the product and service information available to applicants. USAC recognizes the need to balance the interest in having a more detailed eligible services list with the potential concerns that could arise from posting product information that service providers have not had the opportunity to review. These factors require that the approach to be taken in providing further information to applicants and service providers must be carefully considered, and active consideration is expected to take place in calendar year 2004.

- g. *Because of the specialized knowledge and technical expertise required to properly evaluate eligible services, the Task Force recommends that the SLD create a larger, permanent “eligible services team” within the PIA staff.**

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This staff should be made available to provide advice to applicants and service providers prior to filing the Description of Services document (FCC Form 470). Further, hire PIA staff on a permanent basis and in sufficient numbers to complete PIA reviews in a consistent and timely manner.

Jurisdiction: USAC

Response: Partially implemented. USAC works with applicants and service providers to assist in their understanding of service eligibility issues. In certain cases, such as when a large-scale technology change is being planned for a state network, USAC staff will discuss the service eligibility impact of alternative technical configurations. USAC's service improvements include recent training opportunities for service providers, applicant representatives, and USAC staff. To provide timely, informed advice to applicants and service providers, the Client Service Bureau can access the expertise of the PIA services team or other USAC staff as needed to refine and verify responses to inquiries. In addition, the new SLD Question Submission System implemented on the USAC website on November 14, 2003, will result in more timely, researched responses due to automated routing and a formalized internal escalation process. USAC also has expanded the Washington, DC, staff devoted to service issues. Regarding the size and makeup of the PIA review staff, 21 new positions have been added, providing a 14 percent increase over last year in staff available to review applications at the beginning of Funding Year 2004. USAC recently converted 40 temporary PIA positions to permanent. A higher overall level of knowledge can be expected due to this change for services issues and in other areas. USAC has also improved the review process by consolidating different types of reviews an application undergoes to decrease multiple applicant contacts and redundant requests for information. These more coordinated reviews and greater efficiencies can be expected to facilitate resolution of issues and earlier funding commitment decisions.

- h. *Clarify specific guidance to applicants, service providers, and consultants regarding if and when service providers may provide technology planning and/or procurement management and still be permitted to compete for follow-on contracts.**

Jurisdiction: FCC/USAC

Response: Implemented. Guidance was included in the September 2003 Train-the-Trainer workshop in anticipation of the Funding Year 2004 application process. USAC will continue to address novel situations that may arise.

- i. *The Task Force recommends that the FCC direct the SLD not to automatically deny all of an applicant's funding requests on an FCC Form 471 that cited a particular FCC Form 470 if procurement or contract problems related to the FCC Form 470 posting are identified only with a specific funding request or specific service provider.**

Jurisdiction: FCC

Response: Implemented. After consultation with the FCC staff, on November 16, 2003, USAC posted to the website a document entitled "Principles for

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Treating Entities Under Investigation Relating to Their Participation in the Schools and Libraries Universal Service Support Mechanism.”

j. *Develop standardized FCC Form 471 worksheets to support or supplant Item 21 attachments.

Jurisdiction: USAC

Response: USAC has previously released a website document that provides specific examples of Item 21 Attachments for various scenarios. In addition, USAC has begun work on an FCC-mandated pilot program that would provide applicants with an on-line system for describing the specific products and services requested. This pilot program is targeted to funding requests that specify internal connections, and is scheduled to be in place for Funding Year 2005.

k. *The Task Force believes that it is important to increase SLD resources for providing information and guidance to applicants, service providers, and consultants.

Review with stakeholders such strategies as more training workshops, a national applicant-oriented webcast training session, an email alert system for new program developments, and publication of frequently asked questions or common problems/mistakes identified through helpline calls and PIA reviews.

Jurisdiction: USAC

Response: USAC plans to perform an evaluation of the effectiveness of its outreach program in 2004 and plans to use that assessment to initiate a comprehensive redesign effort as appropriate. USAC has or will implement the following changes while that assessment is being performed. In October 2003, USAC launched a pilot program of WebEx training, and will conclude this series of training sessions for service providers in December. Live and recorded sessions of this training will also be available to applicants. USAC will evaluate participants' comments and results of the webcast sessions in January as input to the outreach program evaluation. A section on frequently asked questions (FAQ) in the Reference Area of the USAC website is being reviewed and updated. The reassessment and redesign of outreach will consider an email alert system or other mechanisms for distributing information, and the suggestion regarding FAQs.

l. *Actively publicize best practices, bad practices, and E-rate achievement stories.

Create a new section of the USAC website to advise stakeholders about program compliance by featuring case studies on successful projects, most common mistakes with real-life examples, substantial program violations with named violators when legally permitted, and audit reports.

Jurisdiction: USAC

Response: Partially implemented. The September 2003 Train-the-Trainer workshop for State Coordinators highlighted both good and bad practices with some real-life examples. On October 14, 2003, a List of Persons Suspended or Debarred from the Schools and Libraries Support Mechanism was posted to the USAC website, with hyperlinks to the pertinent FCC notices. The FCC IG plans

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to post audit reports on the FCC website. USAC generally agrees with the recommendation to post the most common mistakes, and these suggestions will be evaluated as part of the outreach reassessment and redesign effort.

3. Compliance and Enforcement

a. **Develop consultant disclosure and registration practices.**

Consider the following: (1) assign an entity code, (2) require standardized disclosure statement from consultants to applicants, detailing potential conflicts of interest, and (3) follow “IRS tax preparer” signature policies for non-applicants who prepare forms.

Jurisdiction: FCC

b. ***Strengthen the review process for the issuance of Service Provider Identification Numbers (SPINs) and Eligible Telecommunications Provider (ETP) designation.**

Conduct detailed analysis of the service provider, its principals, and the nature of its business. Conduct checks to prevent a barred service provider from operating under a new name and SPIN.

Jurisdiction: FCC/USAC

Response: Partially implemented, and further implementation would require FCC action. Investigation prior to SPIN issuance would require FCC action. USAC currently conducts checks to identify suspended or debarred persons who submit FCC Forms 498, and will deny funding if it identifies suspended or debarred entities or individuals. USAC is currently consulting with the FCC staff with regard to designations of ETPs.

c. ***Provide a means of allowing applicants to review Service Provider Invoices (SPIs) associated with Internal Connections projects prior to payment by the SLD.**

Jurisdiction: USAC

Response: Implemented. The Client Service Bureau will accept requests from applicants to verify that internal connections services have been performed before disbursements are made on SPIs.

d. ***Explore a process to prevent applicant subunits from filing applications without authorization of their central control or authority.**

Jurisdiction: USAC

Response: Implemented. USAC permits applicants to notify the SLD, and, upon verification of appropriate authority, prevent funding of subunits. USAC is exploring alternatives to facilitate this process.

e. ***Develop audit policies to reflect compliance with the rules that existed during the funding year to which the funding was associated and to better communicate the degree of program compliance.**

Report audit results using audit compliance tiers, such as “Compliant,” “Generally Compliant,” or “Non-compliant.”

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Jurisdiction: FCC/USAC

Response: Implemented. USAC audit policies apply the procedures and rules that were in effect in the funding year for which the entity is being audited. USAC audit reports use these compliance categories.

4. Effective Use of Resources

- a. ***Simplify the Service Substitution process by raising the threshold for review and eliminating unnecessary constraints.**

Suggested approaches include: (1) create and publish a “safe harbor” list of simple, permissible substitutions, e.g., a router model for another router model; and (2) eliminate restrictions prohibiting substitutions when an applicant is willing to spend more of its own money, or the new product will have a greater percentage of ineligible components, because these serve no substantive policy purpose and can prevent applicants from obtaining the best solutions for their particular situations.

Jurisdiction: FCC/USAC

Response: USAC is exploring alternatives for identifying permissible service substitutions, and will develop a proposal for FCC staff consideration and approval. Implementation of the second part of this recommendation would require FCC action.

- b. ***The Task Force recommends that the SLD develop a streamlined, combined process for changes that involve both a SPIN change and a Service Substitution Change.**

Jurisdiction: USAC

Response: USAC will explore this customer service issue.

- c. **Convene a process to better match the complexity of the application review processes with the complexity of individual application situations.**

Jurisdiction: FCC/USAC

Response: USAC will assess alternatives and consult with the FCC staff regarding this recommendation.

- d. ***The Task Force believes that several issues need to be addressed in the invoicing process.**

(1) Establish and publicize criteria for information needed in the invoice review process; and allow applicants and service providers the option of submitting the information along with their forms. (2) Establish an explicit cost-benefit policy for invoice review that properly matches dollar amounts with corresponding level of review.

Jurisdiction: USAC

Response: Partially implemented. USAC will review alternatives for publishing guidance on the information that could or should be submitted with forms. USAC conducts risk-based reviews of invoices that consider the cost-effectiveness of the review process and makes adjustments as appropriate.

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- e. ***Give priority to resolving appeals involving issues that the SLD has acknowledged involve its own mistakes.**
Notify the applicant community if a systemic error has occurred and how to rectify the error.
Jurisdiction: USAC
Response: Implemented.

- f. ***The SLD should establish improved levels of applicant and service provider access to information about the status of their applications.**
As a funding year progresses, improve level of access to this information and to procedural relief if the information is not forthcoming. For example, after January 1, SLD should provide written, applicant-specific status reports instead of general status indicators.
Jurisdiction: USAC
Response: USAC is exploring options to provide more specific status reports.

- g. **A service provider, when acting as a Good Samaritan, should be exempted from Commitment Adjustment (COMAD) responsibility.**
COMAD issues should remain the responsibility of the original service provider and/or the applicant.
Jurisdiction: FCC

- h. **Advance the date used to trigger automatic extensions of non-recurring service delivery deadlines from March 1 to January 1.**
Jurisdiction: FCC

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