

Universal Service Administrative Company  
Schools and Libraries Support Mechanism

Supplement to Administrative Procedures

In the Fifth Report and Order<sup>1</sup> the Federal Communications Commission (FCC or Commission) directed the Universal Service Administrative Company (USAC) “to submit to the Commission [ . . . ] a list summarizing all current USAC administrative procedures identifying, where appropriate, the specific rules or statutory requirements that such procedures further, and those procedures that serve to protect against waste, fraud and abuse.”<sup>2</sup>

USAC submitted this list to the Commission in October 2004. Based on discussions with Commission staff, USAC is now supplementing this list with three additional procedures. Two relate to state Master Contracts, and the third relates to deadlines to submit program forms and appeals. In addition, USAC is modifying the Service Substitution Procedure originally submitted to the Commission. The original submission provided: “Service substitutions must be requested no later than the last date to invoice for the Funding Request Number (FRN) for the service.” This has been modified to read: “Service substitutions must be postmarked by the last day to receive service for the Funding Request Number (FRN).”

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<sup>1</sup> See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, FCC 04-190 (2004) (*Fifth Report and Order*).

<sup>2</sup> *Id.* ¶ 80. USAC understands this to apply to Schools and Libraries Support Mechanism procedures only at this time.

Supplement to Administrative Procedures

**Program Integrity Assurance**

*Administrative Procedure:*

State Replacement Contract Procedure

*Further Detail:*

State Master Contracts are contracts which are competitively bid and put in place by an entity of state government for use by others. Billed entities may use a state Master Contract that expires before the start of the Funding Year for which the billed entity is applying for discounts, or that expires during the Funding Year for which the applicant is applying for discounts. In each situation, the competitive process is either underway, or has not yet been completed. Billed entities are instructed to use a temporary Service Provider Identification Number (SPIN) on the Form 471 application, and to request a SPIN change after the state Master Contract has been signed. Commitments may be made based on the temporary SPIN, but no disbursements will be made until the SPIN is changed to that of the service provider who was awarded the new state Master Contract.

*Rules that this furthers:*

1. 47 C.F.R. § 54.500(g) defines a master contract as a “contract negotiated with a service provider by a third party, the terms and conditions of which are then made available to an eligible school, library, rural health care provider, or consortium that purchases directly from the service provider.”
2. 47 C.F.R. § 54.504(b) requires applicants to seek competitive bids by posting a FCC Form 470 to the USAC web site for a minimum of 28 days to initiate the competitive bidding process.
3. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”
4. 47 C.F.R. § 54.504(c) requires applicants to submit a FCC Form 471 to USAC after signing a contract for eligible services.

Supplement to Administrative Procedures

5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
6. 47 C.F.R. § 54.702(h) requires USAC to take “administrative action intended to prevent waste, fraud, and abuse.”

*How this protects against waste, fraud and abuse:*

Enables applicants to get the benefits of state Master Contracts even though the competitive process for selection of the service provider has not been completed at the time of the Form 471 filing. Lower costs through bundling demand in state Master Contracts reduce waste of USF funds.

## Supplement to Administrative Procedures

### **Program Integrity Assurance**

#### *Administrative Procedure:*

SLD accepts State Master Contracts that are signed by an entity other than the billed entity that submits the application containing the Funding Request Number that relies on that State Master Contract.

#### *Further Detail:*

State Master Contracts are contracts which are competitively bid and put in place by an entity of state government for use by others. If a billed entity relies on a state Master Contract to submit its FCC Form 471 application, the billed entity will not have signed the state Master Contract.

#### *Rules that this furthers:*

1. 47 C.F.R. § 54.500(g) defines a master contract as a “contract negotiated with a service provider by a third party, the terms and conditions of which are then made available to an eligible school, library, rural health care provider, or consortium that purchases directly from the service provider.”
2. 47 C.F.R. § 54.504(b) requires applicants to seek competitive bids by posting a FCC Form 470 to the USAC web site for a minimum of 28 days to initiate the competitive bidding process.
3. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”
4. 47 C.F.R. § 54.504(c) requires applicants to submit a FCC Form 471 to USAC after signing a contract for eligible services.
5. 47 C.F.R. § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
6. 47 C.F.R. § 54.702(h) requires USAC to take “administrative action intended to prevent waste, fraud, and abuse.”

Supplement to Administrative Procedures

*How this protects against waste, fraud and abuse:*

Enables applicants to get the benefits of state Master Contracts even though the applicant does not sign the state Master Contract. Lower costs through bundling demand in state Master Contracts reduce waste of USF funds.

Supplement to Administrative Procedures

**Program Integrity Assurance**

*Administrative Procedure:*

Deadline for receipt of program forms and appeals is determined by postmark date.

*Further Detail:*

SLD determines whether a program form or appeal has been timely filed based on the postmark date.

*Rules that this furthers:*

1. The Commission requires the FCC Form 471 application to be postmarked by the final date of the filing window for the relevant funding year for the application to be treated as having been filed within the filing window. *See Request for Review by Alpine County Unified School District, et. al., Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, CC Docket Nos. 96-45 and 97-21, Order, DA 02-75 ¶ 5 (rel. Jan. 14, 2002).
2. 47 C.F.R. § 54.720(e) provides that appeals of USAC decisions to the Commission “shall be deemed filed on the postmark date.”
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
4. 47 C.F.R. § 54.702(h) requires USAC to take “administrative action intended to prevent waste, fraud, and abuse.”

*How this protects against waste, fraud and abuse:*

Efficient administration of the program reduces operating costs, thereby reducing waste of USF funds.

Supplement to Administrative Procedures

**Service Substitutions**

*Administrative Procedure:*

Service Substitution Deadline

*Further Detail:*

Service substitutions must be requested no later than the last date to receive service for the Funding Request Number (FRN) for the service.

*Rules that this furthers:*

1. 47 C.F.R. § 54.507(b) provides that (with the exception of Funding Year 1998), “a funding year for the purposes of the schools and libraries cap shall be the period July 1 through June 30.”
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to “use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought,” establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant’s request for an extension of the implementation deadline can be granted.
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
4. 47 C.F.R. § 54.702(h) requires USAC to take “administrative action intended to prevent waste, fraud, and abuse.”

*How this protects against waste, fraud and abuse:*

Efficient administration of the program reduces operating costs, thereby reducing waste of USF funds.