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

In the Matter of:	)	
	)	
Comprehensive Review of Universal Service Fund Management, Administration, and Oversight	)	WC Docket No. 05-195
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Schools and Libraries Universal Service Support Mechanism	)	CC Docket 02-6
	)	
Rural Health Care Support Mechanism	)	WC Docket No. 02-60
	)	
Lifelink and Link-Up	)	WC Docket No. 03-109
	)	
Changes to the Board of Directors for the National Exchange Carrier Association, Inc.	)	CC Docket No. 97-21

REPLY COMMENTS OF FTI CONSULTING, INC. ON THE NOTICE OF PROPOSED RULEMAKING (WC Docket No. 05-195)

FTI Consulting, Inc. ("FTI") submits these Reply Comments in response to the Notice of Proposed Rulemaking (NPRM) released June 14, 2005. The NPRM, WC Docket No. 05-124, invites interested parties to file comments regarding a comprehensive review of the Universal Service Fund ("USF"), including the Schools and Libraries Support Mechanism (commonly known as the "E-rate" program).

Summary

There is a general consensus among posted comments that the administration of the Universal Service Fund should be reviewed. We concur with the comment from the Mercatus Center at George Mason, that the first step should be establishing relevant, quantifiable goals and measures.

Once goals and performance measures are established, administration of the USF can be addressed in ways that better serve its constituents. Areas that warrant further review include: the application process, the collection and distribution of funds, and the systems and policies in place to detect fraud. Administrative changes should be focused on efficiency, transparency, and better communication.

The final section of our reply comments concerns the allegations of fraud in the program and the efforts to detect and reduce it. Improvements to program administration will improve the ability to distinguish mistakes from fraud, detect fraud as early as possible, and to recapture fraudulently obtained funds.

FTI Consulting is a management consulting firm specializing in crisis management, restructuring, and process improvement. Additionally we have practices devoted to investigative and forensic accounting. We have experience with a number of financial institutions and vendors involved in the E-Rate program.

Goals and Performance Measures

The Universal Service Fund was established to meet the goals described in Section 254 of the Telecommunications Act of 1996. As depicted in the Act, the federal government has an obligation to provide telecommunication access to every region in our country. This is a noble goal and it gives many regions and demographics within the United States improved opportunities for prosperity.

One of the underlying problems with the program is that the goals set forth by Congress have never been clearly defined. Without clearly defined goals there is no way to insure the proper use of funds and the success of the program. The Mercatus Center at George Mason University commented that efficient programs are still wasteful if their goals are unclear.

FTI Consulting believes that goals should be established for each section of the program as well as the administration of the fund. These goals should be relevant and quantifiable.

Relevant Goals

Relevant goals are necessary, because there are many programs throughout the country—governmental and non-governmental—that provide assistance to the same constituents as the USF. The goals must be relevant to what USF was intended to do. For example, the sixth goal mentioned in Section 254 of the Telecommunications Act of 1996 is "access to advanced telecommunications by schools, libraries, and rural health providers." The goal is "access" and, therefore, should not be measured by the increase in computer skills by high school students. Even if increasing the level of computer skills in high school students is the ultimate goal, the USF was not intended to achieve this goal.

Rather, the USF was intended to give high school students the tools to increase their computer skills. We agree with the argument put forward from USAC that their mission is to "collect monies, process applications, and disburse funds, as opposed to measuring the improvement of academic achievement."[1]

[1] USAC Reply to Comments dated December 19, 2005

Quantifiable Goals and Performance Measures

Any goal must be quantifiable in order to track progress made by the program toward reaching that goal. Without quantifiable goals there is no way to measure the overall performance of the program. As mentioned in many comments, performance measures are needed to judge the successes and failures of the USF. These performance measures should include outcome measures, output measures, and efficiency measures.

- Outcome measures should be used to measure the progress of the program toward meeting the goals set by Congress. An example of this type of goal could be to measure the actual result of running telephone lines into a high cost area. Does this establish access to telecommunications services in the area that would not be otherwise accessible?

- Output measures should be used to measure the effectiveness of the activities of the program. From the example in the previous bullet; by running the telephone lines into high-cost areas, how many people are now able to receive phone service?

- Efficiency measures should be used to measure how well the USF is allocating its funds. Continuing with the same example; in laying the telephone lines and knowing how many people are now able to receive service, what was the cost to bring service to each person or home? Was this the best use of those funds to achieve the goals of the program?

Outcome, output, and efficiency measures can also apply to the administration of the fund itself. For example, the application process can be measured for outcome, output, and efficiency. Does the process serve the purpose it is intended to serve? How many applications are processed? How efficient is the application process as measured in time or expense?

Program/Process Improvement

The Commission asks how to "improve management administration, and oversight of the USF programs, including the billing and collection process and the process of disbursing funds." Most comments indicate that the USF has generally been managed well but has many areas for improvement. With proper implementation, improvements in administrative efficiency, more transparent processes, and a "best practices" guide for applicants will improve administration of the USF.

Administrative Efficiency

One area that has been mentioned as needing improvement by multiple commenters is the application process. Improvements need to be made in both time and clarity. An idea presented by several parties is to codify and automate the process. This should result in quicker responses, fewer errors, and clearer decision making.

Transparency in Processes

Many comments noted the need for greater transparency in process and information flows. Greater transparency would facilitate greater efficiency for both the administrator and program applicants. It would also promote a greater understanding of the role and expectations of program applicants, thus improving efficiency in the application process.

Best Practices

Many comments described the current application process as being voluminous and complex. Due to the volume of funds disbursed to program participants, it may be prudent to require an extensive application process. However, a best practices guide would help applicants navigate through the application process. Many of the applicants are school and library staff members with no experience with USF programs. A best practices guide would help them navigate the process and cut down on errors and mistakes. Additionally, it could help to reduce school and library staff members' reliance on third party vendors.

Internal Controls/Fraud Prevention

Many of the reports involving the USF program have been particularly alarming in their descriptions of waste and fraud in the program. An organization with the size and complexity of the USF will always be the target of unscrupulous parties continually attempting to manipulate the system for personal gain. However, adequate controls and detection efforts can be effective in minimizing such activities. Recent efforts by USAC to increase its audit presence and on-site visits have generally been met with positive comments in this forum.

Other comments have ranged from increasing the ability to fine and penalize fraudulent behavior to streamlining the process for disbarment. All possible solutions should be examined and evaluated for their merit in deterring fraud. However deterring fraud should not be the only focus. Additional emphasis should also be placed on fraud detection. Process automation, as mentioned previously in this comment, is a good way to increase opportunities for fraud detection.

We submit this Comment to the Commission and look forward to the continued review of the administration and operation of the USF.

Respectfully Submitted,

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