

KAREN BRINKMANN PLLC  
555 Eleventh Street, NW  
Mail Station 07  
Washington, DC 20004-1304  
(202) 365-0325  
[KB@KarenBrinkmann.com](mailto:KB@KarenBrinkmann.com)

December 8, 2011

**BY ELECTRONIC FILING**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, D.C. 20554

Re: *Connect America Fund, et al.*, CC Docket Nos. 96-45 and 01-92,  
WC Docket Nos. 03-109, 05-337, 07-135 and 10-90, WT Docket  
No. 10-208, and GN Docket No. 09- 51 - *Ex Parte* Notice

Dear Ms. Dortch:

On Tuesday, December 6, 2011, Tom Cooley, Matt Dowell, and Brett Haan, all of Deloitte,<sup>1</sup> and I met with Carol Matthey of the Commission's Wireline Competition Bureau and Margaret Wiener and Rita Cookmeyer of the Commission's Wireless Telecommunications Bureau. The subject of the meeting was the Commission's implementation of its recent rule changes in the above-captioned proceeding,<sup>2</sup> and specifically the transition of Universal Service programs to the new Connect America Fund, Mobility Fund and Tribal Fund programs.

Deloitte described its experience with the administration of government grant programs, and noted some of the challenges that it believes the Commission will face in the implementation of the new support programs. Deloitte noted that would-be CAF Phase I recipients could have difficulty determining whether to accept the incremental support, and the broadband build-out obligations attending that support, within the 90-day window adopted by the Commission. In

---

<sup>1</sup> "Deloitte" is used herein to refer to Deloitte Consulting LLP and Deloitte & Touche LLP, each of which is a separate subsidiary of Deloitte LLP.

<sup>2</sup> *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, Report & Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011), 76 Fed. Reg. 73830 (Nov. 29, 2011) (the "CAF Order").

Marlene H. Dortch, Secretary  
December 8, 2011

addition, Phase I funding recipients that must comply with federal, state or local environmental land-use requirements before deploying new facilities could be deterred by the aggressive build-out periods adopted in the CAF Order.

The Commission's adoption of a letter of credit (LC) requirement also was discussed. Deloitte raised the question whether the Commission might adopt a different approach to increasing the mandatory LC coverage amount as funded infrastructure investment increases – for example, the Commission might consider perfecting a lien on constructed assets so the LC would not have to cover the entire funding amount.

Deloitte next discussed the importance of consistent, efficient and effective oversight as funding rolls out. Not only accounting but also telecommunications engineering expertise will be necessary to verify facilities deployment and compliance with performance requirements (speed, latency, coverage). Significant field personnel could be required to accomplish this oversight. Deloitte discussed the merits of different types of audits and other oversight at early and later stages of funding. Deloitte noted that a full compliance audit could be expected to take 12 to 18 months to complete.

Finally, Deloitte touched upon the importance of adopting and enforcing specific and clear record-keeping and document retention requirements from the outset, so that the necessary records are available when audits are performed. Deloitte noted that small businesses may require training in advance, so that they have the proper data to report to the Commission and the states.

Deloitte believes that properly designed record-keeping, accounting, reporting, and oversight systems can ensure that funding recipients are not overly burdened, and that consumers receive the benefit of rapid and efficient broadband deployment. Please direct any questions concerning this matter to me.

Very truly yours,

/s/  
Karen Brinkmann  
*Counsel for Deloitte*

CC: Carol Matthey  
Margaret Wiener  
Rita Cookmeyer