In the *Schools and Libraries Fifth Order*[1] the Federal Communications Commission (FCC or the 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 rule(s) or statutory requirements that such procedures further, and those procedures that serve to protect the Universal Service Fund (USF) against waste, fraud and abuse."[2]

Listed below are administrative procedures that are currently used to reach Schools and Libraries program funding decisions that are not explicitly stated or codified in a Commission rule or regulation. The procedures are listed by USAC's operational activity category.

Background

The Commission has designated USAC as the permanent administrator of the federal universal service programs.[3] Administration of the Schools and Libraries program is the responsibility of USAC and its Schools and Libraries Division (SLD)[4] under the oversight of the Schools and Libraries Committee[5] of the USAC Board of Directors. The Commission tasked the USAC Schools and Libraries Committee with making the following types of decisions in accordance with Commission rules and oversight:

> (ii) development of applications and associated instructions as needed for the schools and libraries mechanism; (iii) administration of the application process, including activities to ensure compliance with FCC rules and regulations; (iv) the performance of outreach and education functions; and (v) development and implementation of other distinctive functions.[6]

USAC is responsible for "administering the universal service support mechanisms in an efficient, effective, and competitively neutral manner."[7] USAC is further required to take "administrative action intended to prevent waste, fraud, and abuse."[8] Thus, in order to administer the support

[1] *See Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd 15808, FCC 04-190 (2004) (*Schools and Libraries Fifth Order*).
[2] *Id.* at 15835, ¶ 80.
[3] 47 C.F.R. § 54.701(a) (appointing USAC as the permanent administrator of the universal service support mechanisms).
[4] 47 C.F.R. § 54.701(c)(1)(i) (directing USAC to establish the Schools and Libraries Division).
[5] 47 C.F.R. § 54.701(b)(1) (directing USAC's Board of Directors to establish the Schools and Libraries Committee).
[6] *Changes to the Board of Directors of the National Exchange Carrier Association, Federal- State Joint Board on Universal Service*, Third Report and Order and Fourth Order on Reconsideration in CC Docket No. 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45, 13 FCC Rcd 25058, 25075, FCC 98-306, ¶ 31 (1998) (*Third Report and Order and Fourth Order on Reconsideration*).
[7] 47 C.F.R § 54.701(a).
[8] 47 C.F.R. § 54.702(g).

mechanisms effectively and efficiently, Commission rules indicate that USAC must design and implement operating procedures. Such procedures designed by USAC have been in place since the inception of the Schools and Libraries program. The Commission has recognized that it has "vested in the Schools and Libraries Committee and SLD the responsibility for administering the application process for the universal service support mechanism for eligible schools and libraries."[9] Pursuant to this responsibility, USAC reviews all applications and invoices according to detailed Program Integrity Assurance (PIA) review and other applicable procedures to ensure that USAC's decisions are in compliance with Commission regulations, orders, appeal decisions, and guidance. PIA procedures are reviewed and updated annually (and also as needed), with Wireline Competition Bureau (WCB) oversight and guidance. Any party aggrieved by a USAC action can appeal that action to USAC or to the Commission.[10]

[9] *See e.g., Request for Review of the Decision of the Universal Service Administrator by Project Interconnect, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File Nos. SLD-146858, 146854, CC Docket Nos. 96-45, 97-21, Order, 16 FCC Rcd 13655, 13658–59, DA 01-1620, ¶¶ 8-9 (2001) (*Project Interconnect Order*).
[10] 47 C.F.R. § 54.719.

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Appeals to the Administrator

Administrative Procedure:

Standard of review for appeals by the Administrator.

Further Detail:

Appeals may be granted under limited circumstances. Specifically, there are three circumstances when appeals may be granted by USAC, assuming that no other issues are identified during review that would support a denial:

1. When the appeal makes clear that USAC erred in its initial review. During the appeal review process, USAC will verify that the original Program Integrity Assurance (PIA) review (or post-commitment review of a decision being appealed) was performed in compliance with program requirements and that the correct decision was achieved. If USAC made an error during the original PIA or post-commitment review of the application, USAC will correct the error.

2. When the applicant provides USAC with information and/or documentation it did not provide when the original request was made. If applicants did not provide a reason why the information was not previously submitted, the appeals reviewer will reach out to the appellant and request an explanation prior to proceeding with review of the new information and/or documentation submitted.

USAC will generally accept new information on appeal, even if the applicant was given the opportunity to provide the information during the original PIA or post-commitment review of the application and the applicant did not respond to USAC inquiries at that time. USAC will accept the new information submitted on appeal and review the entire record as appropriate.

However, USAC will NOT grant an appeal if the documentation provided on appeal contradicts information contained in the original file and the applicant is unable to resolve the discrepancy.

USAC will also NOT accept new information on appeal if the documentation submitted is not the documentation that was originally provided and it is apparent that the documentation was created to respond to a USAC request during the appeal process.

3. When USAC obtains policy clarification or new policies impact the original decision. If the FCC issues a policy clarification or adopts a new policy that would affect

USAC's original decision, applicants who submitted a timely appeal may be given the benefit of the new or modified policy(ies).

USAC can grant an appeal request assuming no other issues are identified during the appeal review that would lead to a denial. If, on appeal, the basis for a funding denial is successfully refuted, USAC must examine all remaining aspects of the funding request to ensure that all program rules were met. If another ground for denial is not appealed or the appellant unsuccessfully challenges USAC's original decision, the appeal may be approved for the issue being appealed, but funding will be denied due to the appellant's failure to overcome other funding denial reasons on appeal. All funding request denial reasons must be overcome on appeal for USAC to fund the Funding Request Number(s) (FRN(s).

While the appeal may be filed directly with the FCC, without first being presented to USAC, the appellant is encouraged to appeal with USAC first so that USAC has an opportunity to resolve the appeal and grant it, if appropriate. The FCC will dismiss the appeal if an appeal is also filed concurrently with USAC for review of the same USAC decision that is requested by the same party(ies). Note that this guidance only applies to situations where an applicant is appealing a final USAC decision and not to situations where an applicant is requesting a waiver of FCC rules or regulations. USAC is prohibited from granting waivers and such requests must be directed to the FCC.

Rules that this furthers:

1. 47 C.F.R. § 54.719(a) provides that "[a]ny person aggrieved by an action taken by a division of the Administrator" may appeal that action to the appropriate Committee of the Board. The rules do not specify the standard of review for appeals of Administrator decisions.
2. 47 C.F.R. § 54.500 *et seq*., sets forth the Commission's rules governing the Schools and Libraries program.

How this furthers program integrity:

Sets forth standards for granting appeal decisions and for accepting new information on appeal.

Children's Internet Protection Act Compliance

Administrative Procedure:

Children's Internet Protection Act Compliance (CIPA) for Receipt of Service

Further Detail:

In the second or later funding year under CIPA, applicants who have submitted an FCC Form 486 for non-telecommunications service Funding Request Numbers (FRNs) before they were properly CIPA compliant are allowed to submit a properly certified FCC Form 486 later in the funding year (after the applicant achieves compliance).

Rules that this furthers:

1. 47 C.F.R. § 54.520(c) requires schools, libraries and consortia to make the following certifications on FCC Form 486:

   (A) The recipient(s) of service represented in the Funding Request Number(s) on this Form 486 has (have) complied with the requirements of the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l).

   (B) Pursuant to the Children's Internet Protection Act, as codified at 47 U.S.C. §§ 254(h) and (l), the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA for this funding year.

How this furthers program integrity:

Ensures that applicants are compliant with CIPA requirements as required by program rules.

Commitment Adjustments and Recovery of Improperly Disbursed Funds

Administrative Procedure:

USAC suspends further action to recover funds after issuing a Commitment Adjustment or Recovery of Improperly Disbursed Funds decision if the applicant and/or service provider appeals the decision to USAC or to the Commission.

Further Detail:

USAC does not continue to seek recovery of funds if there is a pending appeal with either USAC or the Commission.

Rules that this furthers:

1. USAC's authority to adjust funding commitments and recover funds is established by the following orders: *Federal-State Joint Board on Universal Service*, *Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 96-45, 97-21, Order, FCC 99-291 (1999); *Federal-State Joint Board on Universal Service*, C*hanges to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 96-45, 97-21, Order, 15 FCC Rcd 22975, FCC 00-350 (2000); *Federal-State Joint Board on Universal Service, Changes to the Board of Directors for the National Exchange Carrier Association, Schools and Libraries Universal Service Support Mechanism,* CC Docket Nos. 96-45, 97-21, 02-6, Order on Reconsideration and Fourth Report and Order, 19 FCC Rcd 15252, FCC 04-181 (2004) (*Schools and Libraries Fourth Order)*; *Schools and Libraries Fifth Order,* CC Docket No. 02-6, 19 FCC Rcd 15808, FCC 04-190 (2004).

2. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

3. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

USAC administers the program in an efficient and effective manner to reduce operating costs by conserving administrative resources and protecting against waste by not seeking recovery when an appeal may be granted.

Commitment Adjustments and Recovery of Improperly Disbursed Funds

Administrative Procedure:

De Minimis Standard

Further Detail:

USAC does not seek recovery of funds when the cost of seeking repayment is greater than the aggregated repayment amount.

Rules that this furthers:

1. In the *Schools and Libraries Fifth Order*, the Commission directed USAC not to seek recovery of funds when the administrative costs of seeking recovery exceed the amount of funds to be recovered. *Schools and Libraries Fifth Order*, 19 FCC Rcd at 15819, FCC 04-190, ¶ 35. The Commission also directed USAC to submit information regarding the administrative costs of seeking recovery so that a *de minimis* amount could be established. *Id*. USAC submitted this information to the Commission in January 2005.

2. USAC's authority to adjust funding commitments and recovery funds is established by the following orders: *Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 96-45, 97-21, Order, FCC 99-291 (1999); *Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 96-45, 97-21, Order, 15 FCC Rcd 22975, FCC 00-350 (2000); *Schools and Libraries Fourth Order*, CC Docket Nos. 96-45, 97-21, 02-6, 19 FCC Rcd 15252, FCC 04-181 (2004); *Schools and Libraries Fifth Order*, CC Docket No. 02-6, 19 FCC Rcd 15808, FCC 04-190.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

5. 47 C.F.R. § 54.708 establishes a *de minimis* exemption for carrier contributions to the Universal Service Fund.

How this furthers program integrity:

USAC administers the program in an efficient and effective manner to reduce operating costs by conserving administrative resources and protecting against waste by not seeking recovery when the administrative cost of recovering the funds is greater than the amount for which recovery is sought.

Administrative Procedure:

Equipment Transfer Request Dismissal

Further Detail:

USAC will dismiss equipment transfer requests when the equipment was not received and/or installed at the originally funded location(s) prior to transferring it to another location. Since the equipment was never used, the transfer request for such equipment will not be permitted.

Rules that this furthers:

1. 47 C.F.R. § 54.504(a)(1)(iii) and (vii) requires applicants certify that that the "entities listed in the FCC Form 471 application have secured access to all of the resources . . . necessary to make effective use of the services purchased" and the "services purchas[ed] at discounts . . . will not be sold, resold, or transferred in consideration for money or any other thing of value."

2. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

3. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

This rule ensures that equipment transfers are made in a manner consistent with FCC rules which require that equipment purchased with universal service discounts be used at a particular location, for the specified purpose, and for a reasonable period of time before the equipment can be transferred to another location.

Forms Processing

Administrative Procedure:

FCC Form 486 Service Start Date Programmatic Changes

Further Detail:

If the FCC Form 486 postmark date is 120 or more days after the Funding Commitment Decision Letter (FCDL) date or 120 or more days after the Service Start Date on the form, adjust the Service Start Date to the postmark date less 120 days. The recurring commitment amount must also be reduced accordingly. This does not affect the non-recurring commitment amount.

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 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. § 54.503(c)(4) prohibits applicants from signing contracts with service provider(s) prior to the expiration of the 28-day posting period for the FCC Form 470.

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Adjusting the Service Start Date based on the FCC Form 486 postmark date encourages applicants to file the FCC Form 486 in a timely manner.

Forms Processing

Administrative Procedure:

FCC Form 500 Service Start Date Programmatic Changes

Further Detail:

If the FCC Form 500 new Service Start Date is prior to the FCC Form 486 Service Start Date, and if the FCC Form 486 postmark date is 120 or more days after the Funding Commitment Decision Letter (FCDL) date, or the FCC Form 486 postmark date is 120 or more days later than the FCC Form 500 New Service Start Date, adjust the FCC Form 500 new Service Start Date to the later of these two dates, less 120 days.

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 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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

New Service Start Date based on the FCC Form 486 postmark date encourages applicants to file the FCC Form 500 in a timely manner.

Forms Processing

Administrative Procedure:

Minimum Processing Standards

Further Detail:

Minimum Processing Standards (MPS) are identified in the instructions for most program forms: Form 470- Description of Services Requested and Certification Form; Form 471- Description of Services Ordered and Certification Form; Form 486 - Receipt of Service Confirmation Form; Form 472 - Billed Entity Applicant Reimbursement Form; and Form 474 - Service Provider Invoice Form. If the applicant or service provider fails to comply with MPS for a specific program form, this is not a cause for automatic rejection. However, USAC must receive the missing and/or corrected information within 15 days of notification by USAC before the FCC Form 470 can be posted or before the other forms (listed above) can be data entered and reviewed for funding or disbursement. MPS for these program forms are subject to revision on an annual basis.

Rules that this furthers:

1. The Commission has affirmed USAC's "authority to implement minimum processing standards and to reject those applications that fail to meet those standards." *See e.g., Request for Review of the Decision of the Universal Service Administrator by Deer Park Community Consolidated Elementary School District No. 82, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-253932, CC Docket Nos. 96-45, 97-21, Order, 17 FCC Rcd 7318, 7320, DA 02-940, ¶ 6 (2002).

2. The Commission requires USAC "to provide all E-rate applicants with an opportunity to cure ministerial and clerical errors on their FCC Form 470 or FCC Form 471, and an additional opportunity to file the required certifications. . . . Applicants shall have 15 calendar days from the date of receipt of notice in writing by USAC to amend or refile their FCC Form 470, FCC Form 471 or associated certifications." *Request for Review of the Decision of the Universal Service Administrator by Bishop Perry Middle School, Schools and Libraries Universal Service Support Mechanism*, File No. SLD-487170, CC Docket No. 02-6, 21 FCC Rcd 5316, 5326-27, FCC 06-54, ¶ 23 (2006) (*Bishop Perry Order*).

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Efficient administration of the program reduces operating costs.

Invoicing

Administrative Procedure:

Disbursements are made to the Service Provider Identification Number (SPIN) associated with each Funding Request Number (FRN).

Further Detail:

Service Providers submit the FCC Form 498 to USAC to obtain a Service Provider Identification Number (SPIN). On the FCC Form 498, the service provider indicates their type of entity, and provides certain information including the 499 Filer ID, if applicable, Federal Employer Identification Number, Contact Information and Remittance Information for each support mechanism, certification letter, and certification.

Each FRN on Block 5 of the FCC Form 471 specifies the Service Provider Name and SPIN that will be providing the services. USAC disburses funds to the SPIN associated with each FRN.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 47 C.F.R. § 54.511(a) provides that "[i]n selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall 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 pre-discount prices submitted by providers but price should be the primary factor considered."

3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

4. Commission rules allow applicants to request SPIN changes after USAC has issued an FCDL when "an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its original service provider, and (2) the applicant has notified its original service provider of its intent to change service providers." *Request for*

Review of the Decision of the Universal Service Administrator by Copan Public Schools, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association, File No. SLD-26231, CC Docket Nos. 96-45, 97-21, Order, 15 FCC Rcd 5498, 5501, FCC 00-100, ¶ 6 (2000) (*Copan Order)*. In the *Sixth Report and Order*, the Commission clarified this rule and explained that once a contract is signed for goods and services, an applicant may not change the service provider unless: "(1) there is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform) and (2) the newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder." *In the Matter of Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan for Our Future*, CC Docket No. 02-6, GN Docket No. 09-51, Sixth Report & Order, 25 FCC Rcd 18762, 18802-03, at ¶91 (2010) (*Sixth Report & Order*).

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that disbursements are made to the service provider that provided the eligible goods and services and that submitted the invoice(s) to USAC. Also ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under specified circumstances.

Invoicing

Administrative Procedure:

Equipment generally must be delivered within the funding year with some exceptions.

Further Detail:

The exceptions for delivery of service within the funding year are:

Delivery of service must be within the allowable number of days of contract expiration date;

Certain components of Priority 1 services may be pre-installed prior to the funding year and then reimbursed during the funding year;

Certain mobilization services will be reimbursed prior to service delivery if contractual recovery mechanisms are in place at the time of the FCC Form 471 filing.

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 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. Commission rules require that "in limited situations, the infrastructure costs incurred by a telecommunications provider in preparation for the commencement of telecommunications service should be deemed to be recoverable beginning in the year in which the telecommunications service commences." *Request for Review of the Decision of the Universal Service Administrator by Nassau County Board of Cooperative Educational Services, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-139083, CC Docket Nos. 96-45, 97-21, Order, 17 FCC Rcd 24584,

24588-89, DA 02-3365, ¶¶ 1, 7-11 (2002); *see also Request for Review of the Decision of the Universal Service Administrator by the Department of Education of the State of Tennessee, Federal-State Joint Board on Universal Service, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-18132, CC Docket Nos. 96-45, 97-21, Order, 14 FCC Rcd 13734, 13749, FCC 99-216 ¶ 29 (1999) (*Tennessee Order*).

How this furthers program integrity:

Ensures that USAC pays only for eligible services and equipment that may include reasonable infrastructure costs related to telecommunications services and that Internet access services are delivered within the appropriate funding year.

Invoicing

Administrative Procedure:

Good Samaritan Procedure

Further Detail:

An applicant may receive reimbursement when it has received services for which USAC has approved funding and has paid its service provider the full undiscounted costs, but the service provider is unable to process a Billed Entity Applicant Reimbursement Form (BEAR or FCC Form 474) because, for example, the service provider has gone out of business or has filed for bankruptcy prior to the applicant submitting the BEAR Form.

Under this procedure, another telecommunications carrier agrees to serve as the conduit and receive the payment from USAC which it then passes on to the applicant.

Rules that this furthers:

1. 47 C.F.R. § 54.502(a)(1) and (2) authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.

2. 47 C.F.R. § 54.514(b) requires service providers that receive discount reimbursement checks from USAC after receiving full payment from the billed entity to remit the discount amount to the billed entity no later than 20 business days after receiving the reimbursement check.

3. The Good Samaritan Procedure was not established by Commission rule, but the procedure used is based on informal guidance from the Commission.

4. The Commission recognized this procedure in the *Schools and Libraries Fourth Order*, 19 FCC Rcd 15252, 15257-58, FCC 04-181, ¶ 17 n.39.

How this furthers program integrity:

Ensures that applicants receive reimbursements due to them in situations where the service provider that provided the services can no longer serve as a conduit to pass the funds to the applicant. This may also protect the applicant's reimbursement from being subject to the bankruptcy litigation when the service provider that delivered the services is in Chapter 7 bankruptcy.

Invoicing

Administrative Procedure:

Invoice Deadlines

Further Detail:

FCC Form 472 and FCC Form 474 must be received within 120 days of the last date of service, or 120 days after the date of the FCC Form 486 Notification Letter, whichever date is later. Disbursements are not made for forms received after that date, unless an extension is appropriate and is granted.

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 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. § 54.515(b) requires USAC to reimburse service providers "no later than the end of the first quarter of the calendar year following the year in which the costs were incurred and the offset against the carrier's universal service obligation was applied."

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

6. The USAC Board of Directors established administrative deadlines for the submission of invoices.[11]

How this furthers program integrity:

Ensures that funding is not disbursed if the FCC Form 472 or FCC Form 474 is not submitted in a timely manner and an extension was not provided.

[11] Universal Service Administrative Company, Board of Directors Meeting, Approval of Administrator's Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator's Deadlines, Action Item #aABOD07 (Oct. 24, 2000).

Invoicing

Administrative Procedure:

Invoice Deadline Extension

Further Detail:

USAC grants requests for extensions of time to invoice USAC under the circumstances listed below:

- Authorized service provider changes;
- Authorized service substitutions;
- USAC did not provide timely notice to the applicant and/or service provider. For example, the service provider's FCC Form 486 Notification Letter is returned to USAC as undeliverable;
- USAC made an error that resulted in the invoice being entered into its data systems late. For example, USAC made an error in the data entry of an invoice;
- USAC delays in data entering caused the form and invoice to be filed late;
- Documentation requirements required third party contact or certification;
- Natural or man-made disasters prevented timely filing of invoices;
- Need for Good Samaritan Billed Entity Applicant Reimbursement (BEAR) form; or
- Circumstances beyond the service provider's control.

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 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. § 54.515(b) requires USAC to reimburse service providers "no later than the end of the first quarter of the calendar year following the year in which the costs were incurred and the offset against the carrier's universal service obligation was applied."

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

6. The USAC Board of Directors established deadlines for the submission of invoices and approved the following criteria for the limited circumstances under which a deadline could be set aside:

    a. An applicant or service provider had no basis upon which to submit forms, data or invoices before the administrative deadline (for example, a funding commitment decision letter was not issued until after the administrative deadline).

    b. An applicant or service provider prevailed on appeal either to the Administrator or the FCC, but a decision was not rendered in time to meet the Administrator's deadline for processing disbursements. The applicant and service provider, upon receipt of the appeal decision letter, must have filed the appropriate forms or invoices within any new timelines established by the Administrator.

    c. The Commission granted an extension for an applicant to expend the funds and therefore it was not possible to submit the appropriate forms or invoices for payment within the Administrator's deadlines.[12]

    d. An applicant or service provider submitted the forms or invoices before the deadline and did not receive payment due to USAC error or delay.

    e. An act of God which prevented the timely submission of forms or invoices for payment.[13]

[12] The administrative deadlines should be extended to match any extension granted by the FCC.
[13] Universal Service Administrative Company, Board of Directors Meeting, Approval of Administrator's Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator's Deadlines, Action Item #aABOD07 (Oct. 24, 2000).

How this furthers program integrity:

Ensures that applicants and service providers are allowed extra time to submit invoices where such an extension of time is warranted.

Overall

Administrative Procedure:

15-Day Process

Further Detail:

USAC's information request process for all types of reviews of applicants' submissions includes standards used by reviewers when they request information and deadlines for applicants and service providers to respond to those requests. For most requests, applicants or service providers are asked to respond to the request in fifteen calendar days. The process was formerly the "7-Day Process" and was revised to the "15-Day Process." After the initial contact on day one, applicants or service providers are sent a reminder request at or about day seven informing them that the information was not received as of the date of the reminder. USAC will grant requests for reasonable extensions. If the deadline is still not met, or if the information that has been provided is incomplete, USAC will make a funding determination based on available information. Prior to any funding request being denied or modified, the applicant is contacted by USAC and made aware of the impending denial or modification. This notification provides the applicant or service provider with the opportunity to either agree with the denial/modification or to submit additional documentation or other details that may change USAC's proposed funding decision. Special handling procedures exist for the summer months and for part of December, when applicants may be unavailable. During those times, reviewers must not only make live contact with the appropriate contact person but must also ask the contact if they are able to respond to the inquiry at that time or if the question(s) needs to be deferred.

Rules that this furthers:

1. The Commission has affirmed USAC's authority to put in place administrative policies to ensure prompt review of applications and prevent the undue delay of the application process. *See e.g., Request for Review by Nicholas County School District, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-220670, CC Docket Nos. 96-45, 97-21, Order, 17 FCC Rcd 22489, 22491, DA 02-3058, ¶ 6 (2002). One such policy is the seven-day policy. *See id.*

2. The Commission directed USAC "to provide all E-rate applicants with an opportunity to cure ministerial and clerical errors on their FCC Form 470 or FCC Form 471, and an additional opportunity to file the required certifications." *Bishop*

Perry Order, 21 FCC Rcd 5316, 5366, FCC 06-54, ¶ 23. The Commission also directed USAC to provide applicants 15 days "to amend or refile their FCC Form 470, FCC Form 471 or associated certifications." *Id.*

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that applicants and service providers are given a reasonable amount of time to respond to the application reviewer's information request(s).

Overall

Administrative Procedure:

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

Further Detail:

USAC determines whether a program form or appeal has been timely filed based on the postmark date. For FCC Forms 471 that are completed and submitted to USAC, but not certified by the time the filing window closes, the applicants are given an additional 15 calendar days from the receipt of USAC's notification to certify their form in order for it to be considered filed within the filing window.

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 Waiver 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*, CC Docket Nos. 96-45, 97-21, Order, 17 FCC Rcd 1718, 1720, DA 02-218, ¶ 5 (2002).

2. The Commission requires USAC to provide all E-rate applicants with an additional 15 days to amend or re-file their FCC Form 471 in order for their forms to be considered filed within the filing window. *See Bishop Perry Order,* 21 FCC Rcd 5316, 5326, FCC 06-54, ¶ 23.

3. 47 C.F.R. § 54.720(e) provides that appeals of USAC actions to the Commission "shall be deemed filed on the postmark date."

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Efficient administration of the program reduces operating costs.

Program Integrity Assurance

Administrative Procedure:

Alternative Discount Verification – Survey Method

Further Detail:

Applicants may survey their student population as an alternative method for calculating their entity's discount. The survey instrument must contain specific data points to be considered valid, such as name of the family and students, family income-level and family size. The entity also must demonstrate that the majority of the student population completed and returned the survey.

Rules that this furthers:

1. 47 C.F.R. § 54.505(b)(1) requires that "the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism."

2. Federally-approved alternative mechanisms include surveys. *See e.g., Request for Review of the Decision of the Universal Service Administrator by Academia Claret, et al.*, CC Docket No. 02-6, Order, 21 FCC Rcd 10703, 10704, DA 06-1907, ¶ 4 n.10 (2006) (citing 34 C.F.R. § 200.78(a)(2)).

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud and abuse:

Ensures that eligible entities are using alternative discount method calculations based on income level and family size and that a valid survey method is used to determine discounts for eligible services.

Program Integrity Assurance

Administrative Procedure:

Amortization of Upfront Costs for Service Provider Infrastructure

Further Detail:

USAC funds a certain amount of upfront costs associated with service provider infrastructure on an amortized basis. USAC uses a $500,000.00 threshold, based on informal guidance from Commission staff, to apply this requirement.

Rules that this furthers:

1. 47 C.F.R. § 54.502(a)(1) and (2) authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.

2. 47 C.F.R. § 54.502(b)(1) requires USAC to "submit by March 30 of each year a draft list of services eligible for support, based on the Commission's rules, in the following funding year."

3. 47 C.F.R. § 54.507(e) requires USAC to "commit funds to cover the *pro rata* portion of [. . . long term contract[s] scheduled to be delivered during the funding year for which universal service support is sought."

4. The Commission requires USAC to fund "costs for infrastructure investment associated with the provision of telecommunications services, provided that: (1) the specific services and uses of those services are eligible for universal service funding, and (2) the costs for service to be provided over shared-use infrastructure are properly allocated so that the fund only pays for the costs associated with providing services to the eligible schools or libraries." *Request for Review of the Decision of the Universal Service Administrator by Brooklyn Public Library, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-149423, CC Docket Nos. 96-45, 97-21, Order, 15 FCC Rcd 18598, 18604, FCC 00-354, ¶ 12 (2000); *see also Request for Review of the Decision of the Universal Service Administrator by Integrated Systems and Internet Solutions, Inc., Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-18132, CC Docket Nos. 96-45, 97-21, Order, 14 FCC Rcd 13734, 13749, FCC 99-216, ¶ 29 (1999).

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that service provider infrastructure costs are properly allocated and that USF funds are not used to pay for services provided to ineligible entities.

Program Integrity Assurance

Administrative Procedure:

Community Eligibility Option (CEO)

Further Detail:

Section 104(a) of the Healthy, Hunger Free Kids Act of 2010 amended Section 11(a)(1) of the Richard B. Russell National School Lunch Act (42 U.S.C. § 1759a(a)(1)) and provided an alternative to household applications for free and reduced price meals in high poverty local educational agencies (LEAs) and schools. This alternative is referred to as the Community Eligibility Option (CEO).[14]

To be eligible, LEAs and/or schools must: (1) meet a minimum level of identified students for free meals in the year prior to implementing the CEO; (2) agree to serve free lunches and breakfasts to all students; and (3) agree to cover with non-Federal funds the costs of providing free meals to all students above the amounts provided through Federal assistance.[15] Reimbursement is based on claiming percentages derived from the identified student percentages which are students certified for free meals through means other than individual household applications (e.g., students directly certified through the Supplemental Nutrition Assistance Program (SNAP)).[16] The claiming percentages established for a school in the first year are guaranteed for a period of four school years and may be increased if the identified student percentages rise for the LEA and/or school.[17]

The law requires the CEO to be phased in over a period of three years, beginning July 1, 2011.[18] The CEO is currently available in eligible LEAs and schools in Illinois, Kentucky, and Michigan.[19] An additional four States will be added for each school year beginning July 1, 2012, and July 1, 2013.[20] The CEO will be available nationwide to all eligible LEAs and schools beginning July 1, 2014.[21] The law requires the Department of

[14] *See* United States Department of Agriculture, Food and Nutrition Service, Community Eligible Option, *available at* http://www.fns.usda.gov/cnd/governance/Policy-Memos/2011/SP23-2011_os.pdf.
[15] *See id*.
[16] *See id.*
[17] *See id*.
[18] *See id*.
[19] *See id.*
[20] *See id.*
[21] *See id.*

Agriculture to select States during the phase in period "with an adequate number and variety of schools and LEAs that could benefit from" the CEO.[22]

The CEO utilizes a reimbursement rate calculated by determining the percentage of students directly certified times a 1.6 multiplier.[23] The multiplier skews National School Lunch Program (NSLP) discount information for E-rate discount calculation purposes. In order to substantiate the discount level of an entity participating in CEO, USAC allows entities to use the school's most recent non-CEO NSLP data to substantiate their current year discount.

Rules that this furthers:

1. 47 C.F.R. § 54.505(b)(1) requires that "the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism."

2. Federally-approved alternative mechanisms include surveys. *See e.g., Request for Review of the Decision of the Universal Service Administrator by Academia Claret, et al.*, CC Docket No. 02-6, Order, 21 FCC Rcd 10703, 10704, DA 06-1907, ¶ 4 n.10 (2006) (citing 34 C.F.R. § 200.78(a)(2)).

3. The FCC recently provided further guidance to the USAC on how to implement the USDA's new eligibility program for NSLP into the E-rate Program. The FCC explained that "the E-rate program currently uses USDA's NSLP eligibility, or a federally approved alternative mechanism, as a proxy for poverty when calculating discounts on services received under the E-rate program.… The CEO, which the USDA is phasing in over several years, provides a new alternative to NSLP household applications for free and reduced price meals in high poverty local educational agencies and schools." *See* Letter from Trent B. Harkrader, Chief, Telecommunications Access Policy Division, Wireline Competition Bureau to Mel Blackwell, Vice-President, Schools & Libraries Division, USAC (July 31, 2012).

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

[22] *See id.*
[23] *See id.*

How this furthers program integrity:

Ensures that eligible entities participating in the Community Eligibility Option are approved at the appropriate discount level for eligible services and equipment.

Program Integrity Assurance

Administrative Procedure:

Consortium Reviews – Letter of Agency

Further Detail:

Consortia leaders must have Letters of Agency for all consortium members in order to act on their members' behalf. The Letter of Agency must be signed by the consortium member before or on the FCC Form 471 certification postmark date.

Rules that this furthers:

1. 47 C.F.R. § 54.501(c) provides that consortia are eligible to receive supported services.

2. The Commission has affirmed USAC's authority to require consortia leaders "to produce Letters of Agency from each of its members expressly authorizing the consortium leader to submit an application on its behalf." *Project Interconnect Order*, 16 FCC Rcd 13655, 13658–59, DA 01-1620, ¶¶ 8-9; *see also Request for Waiver of the Decision of the Universal Service Administrator by Kan-ed, Kansas Board of Regents, Schools and Libraries Universal Service Support Mechanism*, File No. SLD-449052, CC Docket No. 02-6, Order, 21 FCC Rcd 13658, 13663, FCC 06-170, ¶ 11 (2006) (*Kan-ed Order).*

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that consortia leaders have authority to submit funding requests on behalf of each member of the consortia, that consortia members are aware of the funding request, and that consortia members understand the obligation to expend financial and professional resources as a result of their membership in the consortia.

Program Integrity Assurance

Administrative Procedure:

Consortium Reviews – Deficient Letter of Agency

Further Detail:

The consortium Letter of Agency must contain required elements that indicate the timeframe the Letter of Agency is valid, the type of services requested, who is acting on behalf of the consortium and the consortium member's signature, signature date, and authorization. These elements are required to demonstrate the authority and the timeframe the consortium member has granted the consortium leader prior to or on the Form 471 certification postmark date. If a Letter of Agency is missing any of the required elements, USAC will contact the applicant and request supporting documentation that will correct the LOA deficiency and/or the ministerial and clerical errors.

Rules that this furthers:

1. 47 C.F.R. § 54.501(c) provides that consortia are eligible to receive supported services.

2. The Commission has affirmed USAC's authority to require consortia leaders "to produce Letters of Agency from each of its members expressly authorizing the consortium leader to submit an application on its behalf." *Project Interconnect Order*, 16 FCC Rcd 13655, 13658–59, DA 01-1620, ¶¶ 8-9; *see also Kan-ed Order*, 21 FCC Rcd 13658, 13659, FCC 06-170, ¶ 3 n.10.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that consortia leaders have authority to submit funding requests on behalf of each member of the consortia, that consortia members are aware of the funding request, and that consortia members understand the obligation to expend financial and professional resources as a result of their membership in the consortia.

Program Integrity Assurance

Administrative Procedure:

Contract extensions based on the applicable deadline for implementation of non-recurring services.

Further Detail:

USAC accepts applicant and service provider contract extensions based on the applicable deadline for implementation of non-recurring services as a result of the date of the Funding Commitment Decision Letter.

USAC accepts applicant and service provider contract extensions based on the applicable deadline for implementation of non-recurring services as a result of any extensions of the implementation deadline.

Rules that this furthers:

1. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

2. 47 C.F.R. § 54.507(d) provides that "[t]he deadline for implementation of non-recurring services will be September 30 following the close of the funding year."

3. 47 C.F.R. § 54.507(d) also provides that USAC can grant extensions of the implementation deadline for non-recurring services if the applicant satisfies the criteria enumerated at 47 C.F.R. § 54.507(d)(1) - (d)(4).

How this furthers program integrity:

Ensures compliance with the requirement that funding requests be based on signed contracts and that the deadline for implementation of non-recurring services is appropriate.

Program Integrity Assurance

Administrative Procedure:

Cost-Effectiveness Review

Further Detail:

USAC reviews Funding Request Numbers (FRNs) to determine whether the applicant is in compliance with all applicable Commission rules and policy guidance with respect to cost-effective funding requests.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c)(2)(vii) requires the person authorized to submit the FCC Form 470 to certify that "[a]ll bids submitted for eligible goods and services will be carefully considered, with price being the primary factor, and the bid selected will be for the most cost-effective service offering …"

2. 47 C.F.R. § 54.504(a)(1)(xi) requires the person authorized to submit the FCC Form 471 to certify that "[a]ll bids submitted to a school, library, or consortium seeking eligible services were carefully considered and the most cost-effective bid was selected in accordance with § 54.503 of this subpart, with price being the primary factor considered, and is the most cost-effective means of meeting educational needs and technology plan goals."

3. 47 C.F.R. § 54.511(a) provides that "[i]n selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall 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 § 54.701(a) requires USAC to "administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that funding requests comply with the Commission's cost-effectiveness rules and policy guidance.

Program Integrity Assurance

Administrative Procedure:

Contract Signature and Date Requirements

Further Detail:

Applicants are required to have a legally binding agreement (for Funding Year 2003 and earlier) or a signed contract (for Funding Year 2004 and later) prior to the FCC Form 471 certification postmark date. If the contract is not signed or dated by the applicant, the applicant will be asked to complete a certification stating that the contract satisfies their state and/or local procurement regulations or rules. Additionally, the applicant will be required to provide the contract award date and supporting documentation for that date. If an applicant states that unsigned and/or undated contracts are considered legal contracts in their state or locality, USAC will request documentation demonstrating that unsigned and/or undated contracts are legally binding contracts in the applicant's state or locality.

Rules that this furthers:

1. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services. The Commission has stated that applicants are required to have a signed contract or a legally binding agreement. *See Requests for Waiver of the Decision of the Universal Service Administrator by Adams County School District 14, et al., Schools and Libraries Universal Service Mechanism,* File Nos. SLD -425151 425211 425303 425352 426285 *et al*., CC Docket No. 02-6, Order, 22 FCC Rcd 6019, 6020, FCC 07-35, ¶ 2 (2007) *(Adams County Order).* With regard to this requirement, the Commission stated:

> To the extent state contract law does not require two signatures and two dates for a valid contract, Commission precedent does not impose such a requirement. We note that in detailing document retention requirements, the Commission required both beneficiaries and service providers to retain executed contracts that are 'signed and dated by both parties.' *Schools and Libraries Universal Service Support Mechanism,* CC Docket No. 02-6, Fifth Report and Order, 19 FCC Rcd 15808, 15825, FCC 04-190, ¶ 48 (2004). We clarify that this language was not intended to establish a new rule regarding the validity of a contractual agreement. *Id.* at 6024, ¶ 11 n.29.

2. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

3. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud, and abuse:

Ensures that the applicant has signed a valid contract with its service provider(s) prior to requesting discounts on eligible products or services.

Program Integrity Assurance

Administrative Procedure:

Duplicative Services

Further Detail:

USAC denies Funding Request Number(s) FRN(s) and portions of FRN(s) when USAC determines that the requests contain duplicative services.

Rules that this furthers:

1. The Commission requires USAC to deny discounts for duplicative services. *See Schools and Libraries Universal Service Support Mechanism,* CC Docket No. 02-6, 18 FCC Rcd 9202, 9209-9210, FCC 03-101, ¶¶ 22-24 (2003) (*Schools and Libraries Second Order*).

2. The Commission defines "duplicative services" as "services that deliver the same functionality to the same population in the same location during the same period of time." *Id.* at 18 FCC Rcd 9202, 9209, FCC 03-101, ¶ 22.

3. 47 C.F.R. § 54.511(a) requires applicants to "select the most cost-effective service offering."

4. The Commission found that "it is not cost effective for applicants to seek discounts to fund the delivery of duplicative services. Therefore, we conclude that this rule can be violated by the delivery of services that provide the same functionality for the same population in the same location during the same period of time." *Schools and Libraries Second Order,* 18 FCC Rcd 9202, 9209-10, FCC 03-101, ¶ 24.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Protects against funding of duplicative services and ensures compliance with the Commission's cost-effectiveness requirements.

Program Integrity Assurance

Administrative Procedure:

Eligibility of Incidental Costs

Further Detail:

USAC denies requests for incidental costs unless they include only eligible products and/or services that are reasonable for the scope of the project. Examples of incidental costs are contingency fees, restoration to pre-installation conditions, training, and design and engineering.

Rules that this furthers:

1. 47 C.F.R. § 54.502(a)(1) and (2) authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.

2. 47 C.F.R. § 54.502(b)(1) requires USAC to "submit by March 30 of each year a draft list of services eligible for support, based on the Commission's rules, in the following funding year."

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

This ensures that USF funds are not disbursed for incidental costs that do not include eligible products or services.

Program Integrity Assurance

Administrative Procedure:

Entity Included in Posting of FCC Form 470

Further Detail:

The billed entity for which funding is sought on an FCC Form 471 must have been listed as a billed entity at Item 15 of the FCC Form 470 that supports the Funding Request Number (FRN).

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires the applicant to seek competitive bids by posting an FCC Form 470 in order to seek discounts on eligible products and services.

2. The Commission requires applicants to "submit a complete description of the services they seek so that it may be posted for competing service providers to evaluate." *Universal Service Order*, 12 FCC Rcd 8776, 9076, FCC 97-157, ¶ 570. The Commission further requires "the application to describe the services that the schools and libraries seek to purchase in sufficient detail to enable potential providers to formulate bids." *Id.* at 9078, ¶ 575.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that service providers are provided with an accurate description of the services and products being requested on the FCC Form 470, thereby fostering an open and fair competitive bidding environment.

Program Integrity Assurance

Administrative Procedure:

FCC Form 470 Posting Requirements

Further Detail:

Applicants may voluntarily extend a contract without posting a new FCC Form 470 if the applicable FCC Form 470 or Request for Proposal (RFP) that initiated the procurement process (resulting in the contract), indicated that the applicant sought to enter into a multi-year contract with extensions.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 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."

3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

4. 47 C.F.R. § 54.507(e) provides that "[i]f schools and libraries enter into long term contracts for eligible services, the Administrator shall only commit funds to cover the *pro rata* portion of such a long term contract scheduled to be delivered during the funding year for which universal service support is sought."

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Enforces FCC Form 470 posting requirements and enables applicants to receive the benefits of any long-term contracts they negotiate.

Program Integrity Assurance

Administrative Procedure:

Generic or Encyclopedic FCC Form 470 Service Category Description

Further Detail:

USAC verifies that the service categories' description for which discounts are sought for each Funding Request Number (FRN) are not generic or encyclopedic (overly broad) to ensure that service providers can provide responsive bids to the applicant's request. The Form 470 must be clear about the products, services, and quantities the applicant is seeking and must be based directly on the applicant's technology plan.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires the applicant to seek competitive bids by posting an FCC Form 470 in order to seek discounts.

2. The Commission requires applicants to "submit a complete description of the services they seek so that it may be posted for competing service providers to evaluate." *Universal Service Order,* 12 FCC Rcd 8776, 9076, FCC 97-157, ¶ 570. The Commission further requires "the application to describe the services that the schools and libraries seek to purchase in sufficient detail to enable potential providers to formulate bids." *Id.* at 9078, ¶ 575.

3. The Commission requires that:

   An applicant's FCC Form 470 [. . .] be based on its carefully thought-out technology plan and must detail specific services sought in a manner that would allow bidders to understand the specific technologies that the applicant is seeking . . . a Form 470 should not serve as a planning device for applicants trying to determine what is available or what possible solutions might meet the applicant's specified curriculum goals. A Form 470 should not be a general, open-ended solicitation for all services available on the eligible services list, with the hope that bidders will make more concrete proposals. The research and planning for technology needs should take place when the applicant drafts its technology plan, with the applicant taking the initiative and responsibility for determining its needs. The applicant should not post a broad Form 470 and expect bidders to do the "planning" for its technological needs. *Request for Review of the Decision*

of the Universal Service Administrator by Ysleta Independent School District, et al., *Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File Nos. SLD-321479, *et al*., CC Docket Nos. 96-45, 97-21, Order, 18 FCC Rcd 26407, 26419-20, FCC 03-313, ¶ 28 (2003) (*Ysleta Order*).

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that the applicant's competitive bidding process is compliant with Commission's rules by verifying that overly broad, generic, or encyclopedic service descriptions are not used on the applicant's FCC Form 470.

Program Integrity Assurance

Administrative Procedure:

Long Term Contracts Review

Further Detail:

USAC ensures that for applicants who have relied on long-term contracts in prior funding years, the terms of the contract are consistent with the price, dates and services within the contract.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

3. 47 C.F.R. § 54.507(d) requires applicants to submit an FCC Form 471 annually, even when the applicant enters into a multi-year contract for goods and services. In that situation, USAC commits funds "to cover the *pro rata* portion of such a long term contract scheduled to be delivered during the funding year for which universal service support is sought." 47 C.F.R. § 54.507(e).

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that applicants enter into multi-year contracts and/or contract extensions consistent with the Commission's rules.

Program Integrity Assurance

Administrative Procedure:

Mixed Bucket Review

Further Detail:

Funding Request Numbers (FRNs) cannot include service from more than one service category. The service categories specified on the FCC Form 470 and FCC Form 471 are: Telecommunications Services, Internet Access, Internal Connections, and Basic Maintenance of Internal Connections.

Telecommunications services and Internet access are Priority 1 services. Internal Connections and Basic Maintenance of Internal Connections are Priority 2 services.

If an FRN contains both Priority 1 and Priority 2 services, the FRN is split into two distinct FRNs. One FRN will be for Priority 1 services and the other FRN will be for Priority 2 services.

Rules that this furthers:

1. 47 C.F.R. § 54.507(g) establishes rules of priority for responding to funding requests. Under these rules, USAC must give first priority to funding requests for telecommunications services, voice mail and Internet access. *See* 47 C.F.R. § 54.507(g)(1)(i), (ii). These are referred to as Priority 1 requests. Once USAC has funded all Priority 1 requests, it can then fund internal connections requests. *See id.* at § 54.507(g)(1)(iii). These are referred to as Priority 2 requests.

2. "After consideration, we continue to uphold SLD's … operating procedure to characterize a request as Priority Two if the request contained any Priority Two services. The Commission's regulations authorize SLD to establish rules and procedures for the administration of the schools and libraries support application process in an efficient and effective manner, including procedures for the review of applications and the implementation of the Commission's rules of priority. We find that, for the reasons discussed above, SLD's operating procedure for mixed priority requests was a reasonable exercise of its authority." *In the Matter of Request for Review of Universal Service Administrator's Decision by East Grand School – SAD #14, Danforth, ME, Federal-State Joint Bd. On Universal Service, Changes to the Board of Directors of the Nat'l Carrier Exchange Ass'n*, CC Docket Nos. 96-45, 97-21, Order, 16 FCC Rcd 19460, 19464, DA 01-2575, ¶ 11 (2001).

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

This ensures that funding decisions are made consistent with the rules of priority and that applicants who do not qualify for Priority 2 services in a given year (because there are insufficient funds) do not receive such services as part of their Priority 1 request.

Program Integrity Assurance

Administrative Procedure:

Non-compliant Auditee

Further Detail:

Applicants and service providers who are found to be non-compliant with FCC rules after undergoing an USAC audit, regardless of whether the applicant or service provider was the auditee, are sent a letter informing them that they will not receive funding commitments for their pending and/or future funding requests until they have adequately addressed the audit findings. When such letters are sent to an applicant, a copy of the letter is provided to all service providers associated with pending funding requests for that applicant. When such letters are sent to a service provider, a copy of the letter is provided to all applicants with pending funding requests associated with that service provider for which USAC has evidence and a reasonable basis to believe that the service provider's lack of compliance is also occurring with regard to those applicants. If the auditee fails to respond to the auditee letter within the time period provided or fails to adequately address the findings, pending funding requests will be denied.

Rules that this furthers:

1. The Commission requires USAC to administer the program and to engage in "activities to ensure compliance with FCC rules and regulations."[24]

2. "USAC must address potential rule violations uncovered in an audit regardless of whether the violating entity was the subject of the audit." *See Request for Review of the Decision of the Universal Service Administrator by Integrity Communications, Ltd., Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Order, 24 FCC Rcd 11186, 11194, DA 09-1946, ¶ 18 (2009) (*Integrity Order*).

3. "USAC should not send an audit letter to or hold funding for schools or service providers unless it has evidence and a reasonable basis to believe that the service provider or school is engaged in a violation of the Commission's rules with respect to that specific school district." *Integrity Order*, 24 FCC Rcd 11186, 11195, DA 09-1946, ¶ 21.

[24] *Third Report and Order and Fourth Order on Reconsideration*, 13 FCC Rcd 25058, 25075, FCC 98-306, ¶ 31.

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud and abuse:

Notifies applicants and service providers of the audit issues that caused them to be found non-compliant with program rules. It also notifies the parties of the holds on pending and future funding requests until such issues are addressed and mitigated. This protects against waste, fraud and abuse by ensuring that USAC does not commit funds to applicants and service providers who are non-compliant with program rules.

Program Integrity Assurance

Administrative Procedure:

On Premise Equipment for End-to-End Priority 1 Service

Further Detail:

In general, equipment that is located at the applicant site is considered for funding under the eligibility requirements for internal connections. However, if the on-premise equipment is an integral part of an end-to-end Priority 1 service, recurring or non-recurring charges for that service may include the cost of on-premise equipment used by the provider to provide that Priority 1 service. Only certain types of equipment and configurations meet the eligibility requirements for Priority 1 services.

Rules that this furthers:

1. 47 C.F.R. § 54.502(a)(1) and (2) authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.

2. 47 C.F.R. § 54.507(g) establishes rules of priority for responding to funding requests. Under these rules, USAC must give first priority to funding requests for telecommunications services, voice mail and Internet access. *See* 47 C.F.R. § 54.507(g)(1)(i), (ii). These are referred to as Priority 1 requests. Once USAC has funded all Priority 1 requests, it can then fund internal connections requests. *See id.* at § 54.507(g)(1)(iii). These are referred to as Priority 2 requests.

3. USAC funds on-premise Priority 1 equipment if the equipment is an integral component of the telecommunications service or Internet access service. Discounts for services that include charges for on-premise Priority 1 equipment are permissible when the following conditions are met:

    a. The on-premise equipment will be provided by the same service provider that provides the eligible telecommunications or Internet access service of which it is a part.

    b. Responsibility for maintaining the equipment rests with the service provider, not with the school or library.

c. Ownership of the equipment will not transfer to the school or library in the future, and, if the relevant contract or lease includes an option to purchase the equipment by the school or library, the applicant does not intend to exercise that option.

d. Upfront, capital charges of the on-premise equipment are less than 67% of total charges (recurring plus non-recurring) in the funding year.

e. The equipment will not be used by the school or library for any purpose other than receipt of the eligible telecommunications or Internet access service of which it is a part.

f. The Local Area Network of the school or library is functional without dependence on the equipment.

g. There is no contractual, technical, or other limitation that would prevent the service provider from using its network equipment, in part, for other customers.

See Tennessee Order, 14 FCC Rcd 13734, 13748-55, FCC 99-216, ¶¶ 26-42.

How this furthers program integrity:

This ensures that funding requests are made consistent with the Commission's rules of priority and that applicants who do not qualify for Priority 2 services in a given year (because of insufficient funds) do not receive such services as part of their Priority 1 request.

Program Integrity Assurance

Administrative Procedure:

Request for Proposal (RFP) Posting Requirements

Further Detail:

Applicants that post a Request for Proposal (RFP), in addition to posting an FCC Form 470, must post the RFP for at least 28 days before selecting a service provider and/or signing a contract.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. The Commission requires as follows: "[t]o the extent that the applicant also relies on an RFP as the basis of its vendor selection, that RFP must also be available to bidders for 28 days." *Ysleta Order,* 18 FCC Rcd 26407, 26423-24, FCC 03-313, ¶ 39.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud and abuse:

Ensures that applicants comply with the competitive bidding rules and that a fair and open competitive bidding process occurs. Also ensures that information that is not available on the Form 470 is made available to all service providers for at least 28 days.

Program Integrity Assurance

Administrative Procedure:

Request for Proposal (RFP) Posting on the FCC Form 470

Further Detail:

Applicants that use a Request for Proposal (RFP) as part of their competitive bidding process must indicate on their FCC Form 470 that an RFP is available.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. The Commission stated as follows: "[w]e direct the Wireline Competition Bureau (WCB) to clarify on a revised FCC Form 470, before the start of Funding Year 2004, that an applicant shall certify either, 'Yes, I have released or intend to release an RFP for these services' or 'No, I have not released and do not intend to release an RFP for these services.'" *Ysleta Order*, 18 FCC Rcd 26407, 26423-24, FCC 03-313, ¶ 39.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud and abuse:

Ensures that all service providers are aware that additional bid information exists beyond the information in the applicant's FCC Form 470. It also ensures that the competitive bidding process is open and fair to all service providers.

Program Integrity Assurance

Administrative Procedure:

Selective Review Information Request and Certification

Further Detail:

Billed entities undergoing a Selective Review complete a Selective Review Information Request (SRIR). The SRIR contains a series of questions about the billed entity's budget, technology plan, and competitive bidding selection process. In addition, it requires the billed entity to demonstrate they have secured the necessary resources to make effective use of any discounted services they receive and that they have a reasonable expectation that they will have the financial resources to pay their non-discounted share. The billed entity must certify the validity of the information provided and that the individual who prepared the responses has the authority to complete the SRIR on behalf of the billed entity.

Rules that this furthers:

1. 47 C.F.R. § 54.504(a)(1) requires that the "FCC Form 471 shall be signed by the person authorized to order telecommunications and other supported services for the eligible school, library, or consortium and shall include that person's certification[s] under oath . . . "

2. 47 C.F.R. § 54.504(a)(1)(iii) requires billed entities to certify as follows: "The entities listed on the FCC Form 471 application have secured access to all of the resources, including computers, training, software, maintenance, internal connections, and electrical connections, necessary to make effective use of the services purchased, as well as to pay the discounted charges for eligible services from funds to which access has been secured in the current funding year. The billed entity will pay the non-discount portion of the cost of the goods and services to the service provider(s)."

3. 47 C.F.R. § 54.523 provides as follows: "An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services."

4. The Commission has clarified the requirements of the "necessary resources" certification as follows: "the necessary resources requirements are satisfied as long as (i) when filing their FCC Form 471 applications, applicants have specific, reasonable expectations of obtaining the funding needed to ensure availability of the necessary resources; (ii) applicants do not authorize USAC to pay support to the service provider for the eligible services until the applicant has received the funding and thus has the necessary resources to pay the applicants' share of the costs; and (iii) applicants provide sufficient documentation to USAC of such funding and resources availability, as USAC may request." *Request for Review of the Decisions of the Universal Service Administrator by Academy of Excellence, et al., Schools and Libraries Universal Service Support Mechanism,* File No. SLD-261209, CC Docket No. 02-6, Order, 22 FCC Rcd 8722, 8728-29, FCC 07-60, ¶ 11 (2007).

5. The Commission has confirmed USAC's implementation of the Selective Review procedure to test the necessary resources certification. *See e.g., Request for Review of the Decision of the Universal Service Administrator by United Talmudical Academy, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association,* File No. SLD-105791, CC Docket Nos. 96-45, 97-21, Order, 15 FCC Rcd 423, 430-31, FCC 00-2, ¶¶ 14-17 (2000); *Request for Review of the Decision of the Universal Service Administrator by Laurel Hall School, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association,* File No. SLD-148415, CC Docket Nos. 96-45, 97-21, Order, 16 FCC Rcd 7762, 7765-66, DA 01-853, ¶¶ 8-10 (2001); *Request for Review of the Decision of the Universal Service Administrator by New Orleans Public Schools et al., Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association,* File No. SLD-201456, *et al*., CC Docket Nos. 96-45, 97-21, Order, 16 FCC Rcd 16653, 16658-59, DA 01-2097 ¶¶ 12-13 (2001).

6. 47 C.F.R § 54.701(a) requires USAC to "administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

7. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud and abuse:

Ensures that the individual completing the SRIR has the authority to submit documentation and information on behalf of the billed entity, that the billed entity is aware of the funding request, and that the billed entity understands the obligation to expend financial and professional resources.

Program Integrity Assurance

Administrative Procedure:

Selective Review Multi-Tier Bid Evaluation Process

Further Detail:

For applicants who use a multi-tier bid evaluation process to select their service provider(s), an initial evaluation round to determine if bidders' proposals adequately meet the minimum specifications outlined in the applicant's Form 470 and/or RFP is allowed and this round does not need to include price as a factor. However, price of the eligible products and services must be the primary factor in selecting a qualified vendor. Price of the eligible products and services must be weighted the highest among each of the evaluation criteria in a multi-tiered vendor selection process. For example, if price is weighted with 15 points, no other category, no matter which tier it is in, can be worth more than 14 points.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 47 C.F.R. § 54.511(a) provides that "[i]n selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall 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."

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

5. In August 2011, the Commission provided clarification on the use of multi-tier evaluations during the competitive bidding process. The Commission found that such multi-tier evaluation processes were consistent with Commission rules, provided that the applicant uses price as the primary factor in selecting a qualified

vendor and that price be weighted the most out of all evaluation criteria that is used in the multi-tier process. *In the Matter of Requests for Review of a Decision of the Universal Service Administrator by Baltimore City School District, et al*., CC Docket No. 02-6, 26 FCC Rcd 11193, at ¶12 (2011).

How this protects against waste, fraud, and abuse:

Ensures that the price of the eligible products and services remains the primary factor considered during a multi-tier bid evaluation process.

Program Integrity Assurance

Administrative Procedure:

Pattern Analysis Information Request and Certification

Further Detail:

Certain entities are asked to respond to a Pattern Analysis Information Request (PAIR), which identifies information on the entity's documentation deemed to be similar to information provided by other entities. The entities are asked to provide an explanation for the similarities. The entity must certify the validity of the information provided and that the individual who prepared the responses has the authority to complete the PAIR on behalf of the billed entity.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. The Commission's rules require a fair and open competitive bidding process. The service provider may not participate in the bidding process because, as the Commission has ruled, "direct involvement in an application process by a service provider would thwart the competitive bidding process." *Request for Review of the Decisions of the Universal Service Administrator by MasterMind Internet Services, Inc., Federal-State Joint Board on Universal Service*, File No. SPIN-143006149, CC Docket No. 96-45, Order, 16 FCC Rcd 4028, 4032-33, FCC 00-167, ¶ 10 (2000) (*MasterMind Order*).

3. The Commission has "recognize[d] that some beneficiaries may have violated the competitive bidding rules and that shared facts may help uncover violations of our rules or waste, fraud, and abuse committed by other beneficiaries. Indeed, we recognize the utility of USAC's pattern analysis of helping to identify malfeasance." *Request for Review of the Decision of the Universal Service Administrator by Academy of Careers and Technologies, et al., Schools and Libraries Universal Service Support Mechanism*, File Nos. SLD-418398, *et al*., CC Docket No. 02-6, Order, 21 FCC Rcd 5348, 5351, FCC 06-55, ¶ 8 (2006). The Commission directed USAC to conduct investigation and analysis, including requesting additional information from applicants, in order to determine whether the Commission's competitive bidding rules have been violated. *See id.* at 5351, ¶ 7.

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that the applicant's competitive bidding process is compliant with the Commission's rules. Also ensures that the individual completing the PAIR has the authority to submit documentation and information on behalf of the entity.

Program Integrity Assurance

Administrative Procedure:

Service Provider or Consultant Authorized to Sign the FCC Form 471

Further Detail:

USAC reviews the FCC Form 471 to determine whether the service provider or consultant prepared the FCC Form 471 and is authorized to complete and sign the form. This review ensures that the applicant is aware that services have been requested on their behalf by the service provider or consultant.

Rules that this furthers:

1. 47 C.F.R. § 54.504(a)(1) requires that the "FCC Form 471 shall be signed by the person authorized to order telecommunications and other supported services for the eligible school, library, or consortium and shall include that person's certification[s] under oath . . ."

2. The Commission has directed that "[i]f consultants are involved, beneficiaries must retain signed copies of all written agreements with E-rate consultants." *Schools and Libraries Fifth Order*, 19 FCC Rcd 15808, 15824, FCC 04-190, ¶ 48.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud, and abuse:

Ensures that the service provider or consultant has authority to submit funding requests on behalf of the applicant. Also ensures that the applicant is aware of the funding request, and understands their obligation to expend financial and professional resources.

Program Integrity Assurance

Administrative Procedure:

Split Funding Requests

Further Detail:

USAC may split a Funding Request Number (FRN) between multiple service providers. This can happen either as a result of a change in service providers during the funding year or due to billing changes by the service provider. The total amount of the two FRNs cannot exceed the amount of the original FRN.

USAC may also split an FRN as a result of ineligible services, ineligible entities receiving service, service not posted to an FCC Form 470, mixed bucket reviews, and in order to remove basic telecommunications services from a non-basic telecommunications FRN that will be denied for technology plan deficiencies. Additionally, an FRN may be split to separate recurring from non-recurring services costs to enable applicants and service providers to receive reimbursement from USAC by using different invoicing methods (i.e., Form 472-Billed Entity Applicant Reimbursement (BEAR) Form or Form 474-Service Provider Invoice (SPI) Form). Similarly, if post-commitment SPIN change has occurred, FRN may be split to separate charges for services provided by the incumbent and the new service provider.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 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 pre-discount process submitted but price should be the primary factor considered."

3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

4. The Commission allows applicants to request SPIN changes after USAC has issued a Funding Commitment Decision Letter when "an applicant certifies that (1) the SPIN

change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its original service provider, and (2) the applicant has notified its original service provider of its intent to change service providers." *See Copan Order*, 15 FCC Rcd 5498, 5501, FCC 00-100, ¶ 6. In the *Sixth Report and Order*, the Commission clarified this rule and explained that once a contract is signed for goods and services, an applicant may not change the service provider unless: "(1) there is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform) and (2) the newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder." *Sixth Report & Order*, 25 FCC Rcd at 18802-03, at ¶92.

5. The Commission has directed USAC to notify applicants when USAC believes that a funding request contains ineligible services and allow applicants to revise the funding request or to demonstrate that the services are eligible for funding. *See Requests for Review of the Decisions of the Universal Service Administrator by Aiken County Public Schools et al., Schools and Libraries Universal Service Support Mechanism*, File No. SLD-397612, *et al*., CC Docket 02-6, Order, 22 FCC Rcd 8735, 8740-41, FCC 07-61, ¶ 11 (2007).

6. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

7. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

8. Procedures that provide for splitting FRNs are not established by Commission rules, but the procedure used is based on informal guidance from the Commission.

How this furthers program integrity:

Ensures that applicants are able to receive supported services when it is necessary for an applicant to change service provider(s) for all or a portion of an FRN after USAC has made the funding commitment. It also ensures that applicants may receive funding for part(s) of the request when other part(s) of the original request will need to be denied, for example, because of ineligible services or technology plan deficiencies.

Program Integrity Assurance

Administrative Procedure:

State Master Contract Procedure

USAC accepts State Master Contracts signed by an entity (other than the billed entity that submits the application) to support Funding Request Number(s) (FRN(s)) that rely(ies) on that State Master Contract.

Further Detail:

State Master Contracts are contracts which are competitively bid and are 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. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website 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(a) requires applicants to submit an 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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Enables applicants to receive benefits of State Master Contracts even though the applicant does not sign the State Master Contract. Also, the lower costs achieved through bundling demand in State Master Contracts may increase the cost-effective use of USF funds.

Program Integrity Assurance

Administrative Procedure:

State Replacement Master 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 if the billed entity is using the Form 470 that is filed by the state to support the State Replacement Master Contract. In each situation, the state agency responsible for the bidding has started the competitive process but has not yet completed that process. Billed entities are instructed to use a temporary Service Provider Identification Number (SPIN) on the FCC Form 471 application and to request a SPIN change after the State Replacement 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 Replacement 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. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website 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(a) requires applicants to submit an 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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Enables applicants to receive benefits of Replacement Master Contracts even though the competitive bid process for selection of the service provider may not have been completed at the time the FCC Form 471 is filed. Also, the lower costs achieved through bundling demand in Replacement Master Contracts may increase the cost-effective use of USF funds.

Program Integrity Assurance

Administrative Procedure:

Tainted FCC Forms 470

Further Detail:

When USAC determines that there is service provider contact information on an FCC Form 470 for a service provider, and that service provider participated in the competitive bidding process initiated by that FCC Form 470, all Funding Request Numbers (FRNs) associated with that FCC Form 470 are denied.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days.

2. 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 pre-discount process submitted but price should be the primary factor considered."

3. The Commission requires USAC to deny FRNs when any service provider contact information appears on an FCC Form 470 for a service provider that participated in the competitive bidding process initiated by that FCC Form 470. *See MasterMind Order*, 16 FCC Rcd 4028, 4032-33, FCC 00-167, ¶¶ 9-10.

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that the competitive bidding process is not tainted by allowing service providers that will compete in the process, to be associated with the FCC Form 470 that initiates competitive bidding process.

Program Integrity Assurance

Administrative Procedure:

Tariff and Month-to-Month Services

Further Detail:

USAC denies Funding Request Number(s) (FRN(s)) for non-contracted Tariff and Month-to-Month Services unless the applicant can show that an FCC Form 470 was posted to initiate a competitive bidding process for those services in each funding year.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days.

2. 47 C.F.R. § 54.511(c) establishes a limited exemption from the 28-day competitive bid requirement when applicants have existing contracts as defined by Commission rules.

3. "Services that are covered by a qualified existing contract for all or part of the funding year do not require the filing of an FCC Form 470; a qualified existing contract is a signed contract executed pursuant to the posting of an FCC Form 470 in a previous year." *Request for Review of the Decision by the Universal Service Administrator by Tomahawk School District, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association*, File No. SLD-183249, CC Docket Nos. 96-45, 97-21, Order, 16 FCC Rcd 8768, 8770, DA 01-1036, ¶ 5 (2001).

4. "Tariff services are telecommunications services purchased at regulated rates for which the applicant does not have a signed, written contract." *Id.*

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that a 28-day competitive bidding process occurs on an annual basis for tariff and month-to-month services.

Program Integrity Assurance

Administrative Procedure:

Time Lapse between FCC Form 470 and Contract Signature Date

Further Detail:

USAC reviews FCC Forms 471 that reflect a significant time lapse between the time the FCC Form 470 was posted and the date the contract was signed. The review is conducted to ensure that applicants have posted an FCC Form 470 for services and are not referencing a previous FCC Form 470 to avoid this requirement.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

3. 47 C.F.R. § 54.507(d) requires applicants to submit an FCC Form 471 annually.

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud, and abuse:

Ensures that the competitive bidding process and the establishing FCC Form 470 are compliant with Commission's rules.

Program Integrity Assurance

Administrative Procedure:

Verify that applicant posted an FCC Form 470 seeking the category of service for which it requests discounts on the FCC Form 471.

Further Detail:

USAC verifies the service categories for which discounts are sought for each Funding Request Number (FRN) to ensure that on the FCC Form 470 associated with that FRN, the applicant indicated that it was seeking that type of service. The service categories specified on the FCC Form 470 and FCC Form 471 are: Telecommunications Services, Internet Access, Internal Connections, and Basic Maintenance of Internal Connections.

If the applicant did not indicate that it was seeking the category of service on the associated FCC Form 470 for which it requests discounts on the FCC Form 471, USAC will deny funding for the FRN.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires the applicant to seek competitive bids by posting an FCC Form 470 in order to seek discounts.

2. 47 C.F.R. § 54.507(g) establishes rules of priority governing USAC's response to FCC Form 471 applications for discounts. Under these rules, USAC must give first priority to funding requests for telecommunications services, voice mail and Internet access. *See* 47 C.F.R. § 54.507(g)(1)(i), (ii). These are referred to as Priority 1 requests. Once USAC has funded all Priority 1 requests, it can then fund internal connections requests. *See id.* at § 54.507(g)(1)(iii). These are referred to as Priority 2 requests.

3. The Commission requires applicants to "submit a complete description of the services they seek so that it may be posted for competing service providers to evaluate." *Universal Service Order*, 12 FCC Rcd 8776, 9076, FCC 97-157, ¶ 570. The Commission further requires "the application to describe the services that the schools and libraries seek to purchase in sufficient detail to enable potential providers to formulate bids." *Id*. at 9078, ¶ 575.

4. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

5. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that competing service providers have equal notice of the services for which the applicant seeks competitive bids and that the services on the FCC Form 471 match the services that were sought on the establishing FCC Form 470.

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 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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that services are not delivered outside of the allowable time period under program rules.

SPIN Changes

Administrative Procedure:

Global SPIN Changes

Further Detail:

Service Providers submit an FCC Form 498 to USAC to obtain a Service Provider Identification Number (SPIN). On the FCC Form 498, the service provider indicates the type of entity and provides certain information including the 499 Filer ID, if applicable, Federal Employer Identification Number, Contact Information and Remittance Information for each support mechanism, certification letter, and certification.

Each Funding Request Number (FRN) on Block 5 of the FCC Form 471 specifies the Service Provider Name and SPIN that will be providing the services.

USAC approves SPIN changes that are requested by a service provider for all Funding Request Numbers (FRNs) that are affected by either merger or acquisition.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 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 pre-discount prices submitted by providers but price should be the primary factor considered."

3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

4. Commission rules allows applicants to request SPIN changes after USAC has issued a Funding Commitment Decision Letter when "an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its original service provider, and (2) the applicant has notified its original service provider of its intent to change service providers." *See Copan Order*, 15 FCC Rcd 5498, 5501, FCC 00-100, ¶ 6. In the

Sixth Report and Order, the Commission clarified this rule and explained that once a contract is signed for goods and services, an applicant may not change the service provider unless: "(1) there is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform) and (2) the newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder." *Sixth Report & Order*, 25 FCC Rcd at 18802-03, at ¶ 91.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that disbursements are made to the service provider that provided the goods and services and submitted the invoice to USAC. Also ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under limited circumstances.

SPIN Changes

Administrative Procedure:

Operational SPIN Change

Further Detail:

USAC changes the service provider(s) associated with a Funding Request Number (FRN) after USAC has made a funding commitment decision upon request by the applicant if the applicant makes the certifications enumerated below. Operational SPIN changes must be postmarked or received no earlier than the date of the Funding Commitment Decision Letter (FCDL) and postmarked or received no later than the last date to submit an invoice.

USAC allows applicants to change the service provider(s) associated with a telecommunications services or Internet access FRN prior to USAC making a funding commitment decision if the original service provider does not provide telecommunications services or Internet access on a common carriage basis.

Rules that this furthers:

1. 47 C.F.R. § 54.503(b) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.

2. 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 pre-discount prices submitted by providers but price should be the primary factor considered."

3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

4. For FY 2010 and earlier funding years, the Commission allows applicants to request SPIN changes after USAC has issued a Funding Commitment Decision Letter when "an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its original service provider, and (2) the applicant has notified its original service provider of its intent to change service providers." *See Copan Order*, 15 FCC Rcd

5498, 5501, FCC 00-100, ¶ 6. For FY 2011 and future funding years, Operational SPIN changes are permissible after a competitive bidding process under the following circumstances:

a) There is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform the requested service); and
b) The newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder. *See Sixth Report and Order*, 25 FCC Rcd at 18802-03, ¶ 91.
c) A cheaper price does not qualify as a legitimate reason to change service providers.

5. The Commission has directed USAC to allow applicants to change the service provider(s) associated with a telecommunications services or Internet access FRN prior to USAC making a funding commitment decision if the service provider originally specified on the FCC Form 471 does not provide telecommunications services or Internet access on a common carriage basis. *See Request for Review of Decisions of the Universal Service Administrator by Brewster Academy, et al., Schools and Libraries Universal Service Mechanism,* File Nos. SLD-317937, *et al*., CC Docket No. 02-6, Order, 22 FCC Rcd 9185, 9188-90, DA 07-2111, ¶¶ 8, 11 (2007).

6. 47 C.F.R § 54.701(a) requires USAC to "administer[ ] the universal service support mechanisms in an efficient, effective, and competitively neutral manner."

7. 47 C.F.R. § 54.702(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Ensures that applicants are able to receive supported services when it is necessary for an applicant to change service providers after USAC has made funding commitments. Also ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under limited circumstances.

SPIN Changes

Administrative Procedure:

Operational SPIN Change Deadline

Further Detail:

Operational SPIN changes must be requested by the last date to invoice for the Funding Request Number (FRN).

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 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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this furthers program integrity:

Efficient administration of the program reduces operating costs.

Technology Plan Review

Administrative Procedure:

Partial Year Technology Plan Funding Commitment Reductions and Prevention of Funding Disbursements

Further Detail:

For FY 2010 and prior funding years, the Commission rules required applicants to base their request for services on an approved technology plan, with an exception of basic telephone service for which a technology plan was not needed.

Effective FY 2011, the Commission rules were amended to eliminate the technology plan requirements for all Priority One (Telecommunications and Internet Access) funding requests and to retain the requirement for Priority Two (Internal Connections and Basic Maintenance of Internal Connections) funding. Additionally, the revised rules eliminate the requirement that applicants demonstrate they have a budget sufficient to acquire and support the non-discounted elements of the plan.

USAC reviews the applicant's certified technology plan to ensure the technology plan covers the funding year requested and that it contains the five core elements (for FY 2010 and earlier funding years) or four core elements (for FY 2011 and future funding years) of a successful technology plan. For funding requests where the technology plan does not cover the entire funding year, the funding commitment amount for recurring charges will be reduced by the appropriate amount, so that funding is only provided for the portion of the funding year covered by the applicant's technology plan. For non-recurring charges, USAC will prevent disbursements of funds for any funding request against which invoices have been submitted beyond the technology plan end date.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c)(2)(iii) requires the billed entity to certify as follows: "All of the individual schools, libraries, and library consortia receiving services are or will be covered by: (A) Technology plans for using the services requested in the application; or (B) No technology plan is required by Commission rules

2. 47 C.F.R. § 54.504(a)(1)(iv) requires the billed entity to certify as follows: " All of the schools and libraries listed on the FCC Form 471 application are or will be covered by: (A) Technology plan(s) for using the services requested in the application; or (B) No technology plan is required by Commission rules.

3. 47 C.F.R. § 54.508(c) requires applicants to confirm on their FCC Form 486 that their technology plan was approved by a certified approver before they began receiving services related to it.

4. 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.

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(g) requires USAC to take "administrative action intended to prevent waste, fraud, and abuse."

How this protects against waste, fraud, and abuse:

This ensures that funds will not be disbursed for services unless there is a technology plan in place to cover the correct time period for those requests or until the technology plan has been approved for services that require a technology plan.