

## Administrative Procedures

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

Listed below are administrative procedures that are currently used to lead to Schools and Libraries program funding decisions that are not explicitly stated in a Commission 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.<sup>3</sup> Administration of the Schools and Libraries program is the responsibility of USAC and its Schools and Libraries Division (SLD)<sup>4</sup> under the oversight of the Schools and Libraries Committee<sup>5</sup> 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.<sup>6</sup>

USAC is responsible for “administering the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”<sup>7</sup> USAC is further required to take

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<sup>1</sup> See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd 15808, 15835, FCC 04-190, ¶ 77 (2004) (*Schools and Libraries Fifth Order*).

<sup>2</sup> *Id.* ¶ 80.

<sup>3</sup> 47 C.F.R. § 54.701(a)(appointing USAC as the permanent administrator of the universal service support mechanisms).

<sup>4</sup> 47 C.F.R. § 54.701(c)(1)(i)(directing USAC to establish the Schools and Libraries Division).

<sup>5</sup> 47 C.F.R. § 54.701(b)(directing USAC’s Board of Directors to establish the Schools and Libraries Committee).

<sup>6</sup> *Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, 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, 25075-76, ¶ 30 (1998)(*Third Report and Order and Fourth Order on Reconsideration*).

<sup>7</sup> 47 C.F.R. § 54.701(a).

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“administrative action intended to prevent waste, fraud, and abuse.”<sup>8</sup> Thus, in order to administer the support 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.”<sup>9</sup> 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, appeals decisions, and guidance. PIA procedures are reviewed and updated annually and otherwise as needed, with Wireline Competition Bureau (WCB) oversight and guidance. Any party aggrieved by a USAC decision can appeal that decision to USAC and to the Commission.<sup>10</sup>

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<sup>8</sup> 47 C.F.R. § 54.702(g).

<sup>9</sup> 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, Inc.*, File No. 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*).

<sup>10</sup> 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:*

USAC grants appeals consistent with the following guidelines, assuming there are no other issues identified during review:

*When the appeal makes clear that USAC erred in its initial review.* When the appeal makes clear that the applicant made a mistake in information provided in or with the application leading to funding denial and that USAC could have identified the mistake from information provided with the application. If the applicant made a mistake in completing the FCC Form 471 (for example, put in the wrong contract award date in Block 5) and had provided information to USAC either with the application or during PIA review (for example, provided a copy of the contract to PIA during review with the award date indicated) and when the appeal points out the mistake (the wrong contract award date) and how USAC could have seen the mistake (from the contract provided during review), USAC will grant the appeal.

*When the appeal provides documentation to correct an assumption USAC made because there was insufficient information in the application file about an issue.* In general, PIA will contact the applicant and ask for all information necessary to make decisions about an application. If that contact does not occur, however, and funding is denied based on an incorrect assumption, USAC will grant an appeal when the appellant points out the incorrect assumption and provides documentation about the issue that is consistent with information originally provided but also successfully resolves the ambiguity in the original file.

*When USAC obtains policy clarification or new policies between the time of funding commitment and the appeal decision.* Over the life of the program to date, the Commission has clarified policies that result in changing the way USAC responds to funding requests. For example, remote access routers were viewed as ineligible products because they could be used to access the Internet remotely from ineligible sites, but the Commission ruled in an appeal decision that such routers can be eligible if they are not used remotely. As a result, USAC granted subsequent appeals that met the conditions for eligibility.

Consistent with these guidelines, USAC will not accept new information on appeal that is inconsistent with information in the file used during review.

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*Rules that this furthers:*

1. 47 C.F.R. § 54.719(a) provides that “any 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 making appeals decisions and for accepting new information on appeal.

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**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 a FCC Form 486 for non-telecommunication 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 in compliance with CIPA.

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**Commitment Adjustments and Recovery of Improperly Disbursed Funds**

*Administrative Procedure:*

USAC suspends further action to recover funds after a Commitment Adjustment or Recovery of Improperly Disbursed Funds decision if the applicant and/or service provider has appealed 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: *Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 97-21, 96-45, FCC 99-291 (1999); *Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 97-21, 96-45, 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, Inc., Schools and Libraries Universal Service Support Mechanism*, Order on Reconsideration and Fourth Report and Order, CC Docket Nos. 96-45, 97-21, 02-6, 19 FCC Rcd 15252, FCC 04-181 (2004)(*Schools and Libraries Fourth Order*); *Schools and Libraries Fifth Order*, 19 FCC Rcd 15808, FCC 04-190.
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 protect against waste by not seeking recovery when an appeal could be granted.



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**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 outweigh the funds to be recovered. *Schools and Libraries Fifth Order*, 19 FCC Rcd 15808, 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. 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: *Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 97-21, 96-45, FCC 99-291 (1999); *Changes to the Board of Directors of the National Exchange Carrier Association*, CC Docket Nos. 97-21, 96-45, 15 FCC Rcd 22975, FCC 00-350 (2000); *Schools and Libraries Fourth Order*, 19 FCC Rcd 15252, FCC 04-181 (2004); *Schools and Libraries Fifth Order*, 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:*

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

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### 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. Reduce the recurring commitment amount 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 the purposes of the schools and libraries cap shall be the period July 1 through June 30.”
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to “use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought,” establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant’s request for an extension of the implementation deadline can be granted.
3. 47 C.F.R. § 54.504(b)(4) prohibits applicants from signing contracts with service provider(s) prior to the expiration of the 28 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.”

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*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.

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

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### Forms Processing

#### *Administrative Procedure:*

#### Minimum Processing Standards

##### *Further Detail:*

Minimum processing standards (MPS) are identified on the instructions for each FCC Form. Failure to comply with these standards leads to rejection of the form. Minimum processing standards for the 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." *E.g., Request for Review of the Decision of the Universal Service Administrator by Deer Park Community Consolidated Elementary School District No. 82, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, File No. SLD-253932, CC Docket Nos. 96-45, 97-21, Order, 17 FCC Rcd 7318, 7320, DA 02-940, ¶ 6 (2002).
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:*

Efficient administration of the program reduces operating costs.

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### **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 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 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 service provider SPIN associated with each FRN.

#### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires applicants to seek competitive bids by posting a 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(c) requires applicants to submit a 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 state and local procurement rules and under the terms of the contract between the applicant and its 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, Changes to the Board of Directors*

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*of the National Exchange Carrier Association, Inc.*, File No. SLD-26231, CC Docket Nos. 96-45, 97-21, Order, DA 00-100, ¶ 6 (2000)(*Copan 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 goods and services and that submitted the invoice to USAC. Ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under specified circumstances.



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### **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 the purposes of the schools and libraries cap shall be the period July 1 through June 30.”
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to “use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought,” establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant’s request for an extension of the implementation deadline can be granted.
3. 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, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, 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*

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*also Request for Review of the Decision of the Universal Service Administrator by Integrated Systems and Internet Solutions, Inc., Changes to the Board of Directors of the National Exchange Carrier Association, Inc., File No. SLD-18132, CC Docket Nos. 96-45, 97-21, Order, FCC 99-216 (1999).*

*How this furthers program integrity:*

Ensures that USAC pays only for eligible services that include reasonable infrastructure costs related to telecommunications services and Internet access services.

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### **Invoicing**

#### *Administrative Procedure:*

#### Good Samaritan Procedure

##### *Further Detail:*

An applicant may receive reimbursements due to it when it has received services for which USAC has approved funding and it 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 bankruptcy prior to the applicant submitting the BEAR Form.

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

##### *Rules that this furthers:*

1. 47 C.F.R. §§ 54.501(a), 54.517 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 days after receiving the reimbursement check.
3. The Good Samaritan Procedure was not established by Commission rule, but the procedure has been used based on informal guidance from the Commission.
4. The Commission recognized this procedure in the *Schools and Libraries Fourth Order* 19 FCC Rcd 15252, FCC 04-181, ¶ 17 fn 39.

##### *How this furthers program integrity:*

Ensures that applicants receive reimbursements due to them in situations in which the service provider that provided the services can no longer serve as a conduit to pass the funds to the applicant. This protects the applicant's reimbursement from

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being the subject of bankruptcy litigation when the service provider that delivered the services is in Chapter 7 bankruptcy.

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### **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 is later. Disbursements are not made in response to forms received after that date, unless an extension is appropriate.

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.507(b) provides that (with the exception of Funding Year 1998), “a funding year for the purposes of the schools and libraries cap shall be the period July 1 through June 30.”
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to “use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought,” establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant’s request for an extension of the implementation deadline can be granted.
3. 47 C.F.R. § 54.515(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 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.”

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6. The USAC Board of Directors established administrative deadlines for the submission of invoices.<sup>11</sup>

*How this furthers program integrity:*

Efficient administration of the program reduces operating costs.

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<sup>11</sup> 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 (October 24, 2000.)

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### **Invoicing**

#### *Administrative Procedure:*

#### Invoice Deadline Extension

##### *Further Detail:*

USAC grants requests for extensions of time in which 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 SLD as undeliverable;
- USAC made an error that resulted in the invoice being received into its data systems late. For example, USAC made an error in the data entry of an invoice;
- USAC delays in data entering the form resulted in the invoice being late;
- Documentation requirements necessitated 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; and
- 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 the purposes of the schools and libraries cap shall be the period July 1 through June 30."
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to "use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought," establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant's request for an extension of the implementation deadline can be granted.
3. 47 C.F.R. § 54.515(b) requires USAC to reimburse service providers "no later than the end of the first quarter of the calendar year following the year

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in which the costs were incurred and the offset against the carrier's universal service obligation 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 would 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 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.<sup>12</sup>
  - 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.<sup>13</sup>

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<sup>12</sup> The administrative deadlines should be extended to match any extension granted by the FCC.

<sup>13</sup> 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 (October 24, 2000.)



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*How this furthers program integrity:*

Efficient administration of the program reduces operating costs.

## Administrative Procedures

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### Overall

#### *Administrative Procedure:*

#### 15-Day Process

##### *Further Detail:*

USAC's information request process for all types of reviews of submissions by applicants 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 days. The process was formerly the 7-Day Process and was revised to the 15-Day Process. 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, the reviewer will make a determination based on the information on hand. 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 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. *E.g., In re Request for Review by Nicholas County School District, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, File No. SLD-220670, CC Docket Nos. 96-45, 97-21, Order, FCC Rcd 22489, 22491, DA 02-3058, ¶ 6, 17 (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." *Request for Review of the Decision of the Universal Service Administrator by Bishop Perry Middle School et al.*, CC Docket No. 02-6, Order, FCC 06-54, ¶ 1 (2003) (*Bishop Perry Order*). The Commission

Administrative Procedures

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directed USAC to provide applicants 15 days “to amend or refile their FCC Form 470, FCC Form 471 or associated certifications.” *Id.* ¶ 23

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.

## Administrative Procedures

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### **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.

#### *Rules that this furthers:*

1. The Commission requires the FCC Form 471 application to be postmarked by the final date of the filing window for the relevant funding year for the application to be treated as having been filed within the filing window. *See Request for Review by Alpine County Unified School District, et. al, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, CC Docket Nos. 96-45 and 97-21, Order, 17 FCC Rcd 1718, 1720, DA 02-75, ¶ 5 (2002).
2. 47 C.F.R. § 54.720(e) provides that appeals of USAC decisions to the Commission “shall be deemed filed on the postmark date.”
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
4. 47 C.F.R. § 54.702(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.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Alternative Discount Verification – Survey Method

##### *Further Detail:*

Applicants may survey their student population as an alternative method to calculating their entity's discount. The survey instrument must contain specific data points to be considered valid, such as family income-level, family size, address and grade-level. 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) 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. *E.g., Request for Review of the Decision of the Universal Service Administrator by Academia Claret, et al.*, CC Docket No. 02-6, DA 06-1907 ¶ 4 fn. 10 (2006)(citing 34 C.F.R. § 200.78(1)(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 are based on income and that a valid survey method is used to determine discounts for eligible services.

## Administrative Procedures

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### **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 applies a \$500,000.00 threshold to apply this requirement based on informal guidance from Commission staff.

##### *Rules that this furthers:*

1. 47 C.F.R. §§ 54.501(a), 54.517 authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.
2. 47 C.F.R. § 54.522 requires USAC to “submit by June 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, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, File No. SLD-149423, CC Docket No. 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., Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, File No. SLD-18132, CC Docket Nos. 96-45, 97-21, Order, FCC 99-216 (1999).

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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 USF funds do not pay for ineligible services.

Administrative Procedures

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**Program Integrity Assurance**

*Administrative Procedure:*

Consortium Reviews

*Further Detail:*

Consortia leaders must have Letters of Agency for all consortium members in order to act on their behalf.

*Rules that this furthers:*

1. 47 C.F.R. § 54.501(d) 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 13658-59, DA 01-1620, ¶¶ 8-9.
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.



## Administrative Procedures

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### **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 authorization. These elements are required to demonstrate the authority and the timeframe the consortium member has granted the consortium leader.

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.501(d) 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 13658–59, DA 01-1620, ¶¶ 8-9.
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.

Administrative Procedures

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**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 extension of contracts based on the applicable deadline for implementation of non-recurring services as the result of extensions of the implementation deadline.

*Rules that this furthers:*

1. 47 C.F.R. § 54.504(c) 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 is September 30 following the close of the funding year.”
3. 47 C.F.R. § 54.507(d) 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) through(d)(4).

*How this furthers program integrity:*

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

## Administrative Procedures

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### **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. § 54.504(b)(1)(vii) requires the person authorized to submit the FCC Form 470 to certify that “[a]ll bids submitted will be carefully considered and the bid selected will be for the most cost-effective service or equipment offering, with price being the primary factor, and will be the most cost-effective means of meeting educational needs and technology plan goals.”
2. 47 C.F.R. § 54.504(c)(1)(xi) requires the person authorized to submit the FCC Form 471 to certify that “[a]ll bids submitted were carefully considered and the most cost-effective bid for services or equipment was selected, 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.”

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*How this furthers program integrity:*

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

Administrative Procedures

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**Program Integrity Assurance**

*Administrative Procedure:*

Contract Signature and Date Requirements

*Further Detail:*

Contracts are required to be dated and signed by the applicant and service provider prior to the FCC Form 471 certification postmark date.

*Rules that this furthers:*

1. 47 C.F.R. § 54.504(c) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
2. The Commission has directed that applicants and “service providers must retain executed contracts, signed and dated by both parties.” *Schools and Libraries Fifth Order*, 19 FCC Rcd at 15824, ¶ 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 applicant has secured services and signed a contract with its service provider(s) prior to requesting discounts on eligible services.

Administrative Procedures

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**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 they contain requests for 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, Second Report and Order and Further Notice of Proposed Rulemaking, 18 FCC Rcd 9202, 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.* ¶ 22.
3. 47 C.F.R. § 54.511(a) requires applicants to consider whether the service for which it seeks discounts is cost-effective.
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, ¶ 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.”

Administrative Procedures

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*How this furthers program integrity:*

Protects against funding of duplicative services and ensures compliance with the Commission's competitive bidding requirements.

## Administrative Procedures

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### **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 contingencies fees, restore to pre-installation conditions, training and design and engineering.

##### *Rules that this furthers:*

1. 47 C.F.R. §§ 54.501(a), 54.517 authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.
2. 47 C.F.R. § 54.522 requires USAC to “submit by June 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 ineligible services.



Administrative Procedures

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**Program Integrity Assurance**

*Administrative Procedure:*

Entity Included in Posting of FCC Form 470

*Further Detail:*

The billed entity for which funding is sought on a FCC Form 471 must have been listed as a billed entity at Item 17 of the FCC Form 470 on which the Funding Request Number (FRN) relies.

*Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires the applicant to seek competitive bids by posting a 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.” *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Report and Order*, 12 FCC Rcd 8776, 9076, FCC 97-157, ¶ 570 (rel. May 8, 1997) (*Universal Service Order*). 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.* 12 FCC Rcd 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 picture of the scope of the services being requested on the FCC Form 470, thereby fostering an open and competitive bid environment.

## Administrative Procedures

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### **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 FCC Form 470 or Request for Proposal (if applicable) 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. § 54.504(b) requires applicants to seek competitive bids by posting a FCC Form 470 to the USAC web site for a minimum of 28 days to initiate the competitive bidding process.
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(c) requires applicants to submit a 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.”

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*How this furthers program integrity:*

Enforces the FCC Form 470 posting requirements to enable applicants to receive the benefits of the long term contracts that they negotiate.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Generic 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 overly broad to ensure that service providers can provide responsive bids to the applicant's request.

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires the applicant to seek competitive bids by posting a 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*, ¶ 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.* ¶ 575.
3. The Commission requires “[a]n 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 solution 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 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, CC Docket Nos. 96-45 and 97-21, Order, 18 FCC Rcd 26407, FCC 03-313, ¶ 28 (2003) (*Ysleta Order*).

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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 compliance with the Commission’s competitive bidding rules.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Letter of Agency or Consultant Agreement

##### *Further Detail:*

The Letter of Agency (LOA) or Consultant Agreement authorizes the consultant to act on the behalf of the applicant. The LOA or Consultant Agreement must be for the current funding year, which was signed, and effective, prior to the filing of the FCC Form 470 or prior to when consulting services begin.

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(c)(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 directed that “If consultants are involved, beneficiaries must retain signed copies of all written agreements with E-rate consultants.” *Schools and Libraries Fifth Order*, ¶ 48, 19 FCC Rcd 15808, 15824.
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 consultants have authority to provide consulting services, submit funding requests on behalf of the applicant (if applicable), that applicant is aware of the funding request, and that applicant understands the obligation to expend financial and professional resources.

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### **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. § 54.504(b) requires applicants to seek competitive bids by posting a FCC Form 470 to the USAC web site for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.504(c) requires applicants to submit a FCC Form 471 to USAC after signing a contract for eligible services.
3. 47 C.F.R. § 54.507(d) requires applicants to submit a 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 contract extensions consistent with the Commission’s rules.

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### **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 beginning with Funding Year 2005, Maintenance Services.

Telecommunications services and Internet access are Priority 1 services. Internal connections and, beginning in Funding Year 2005 maintenance services, are Priority 2 services.

If an FRN contains both Priority 1 and Priority 2 services, the FRN is either reclassified as an internal connections FRN, or the internal connections portion of the FRN is removed from the FRN.

If more than 30% of an FRN for telecommunications services or Internet access is for internal connections, then the entire FRN is reclassified as an internal connections FRN.

##### *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. 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. 47 C.F.R. § 54.507(g)(1)(iii). These are referred to as Priority 2 requests.
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.”



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*How this furthers program integrity:*

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

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Non-compliant Auditee

##### *Further Detail:*

Applicants and service providers who are determined to be non-compliant with FCC rules after undergoing a USAC audit, 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. 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.”<sup>14</sup>
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:*

Notifies applicants and service providers of the issues that resulted in them being non-compliant with program rules and withholds pending and future funding commitments until they have addressed the issues that caused the non-compliance. This protects against waste, fraud and abuse by ensuring that USAC does not commit funds to applicants who are non-compliant with program rules.

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<sup>14</sup> *Third Report and Order and Fourth Order on Reconsideration*, 13 FCC Rcd 25075-76.

## Administrative Procedures

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### **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. §§ 54.501(a), 54.517 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 of responding to funding requests. Under these rules, USAC must give first priority to funding requests for telecommunications services, voice mail and Internet Access. 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. 47 C.F.R. § 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 the school or library.

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- c. Ownership of the equipment will not transfer to the school or library in the future, and the relevant contract or lease does not include an option to purchase the equipment by the school or library.
- 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.

*Request for Review of the Decision of the Universal Service Administrator by Integrated Systems and Internet Solutions, Inc., Changes to the Board of Directors of the National Exchange Carrier Association, Inc., File No. SLD-18132, CC Docket Nos. 96-45, 97-21, Order, FCC 99-216 (1999).*

*How this furthers program integrity:*

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

Administrative Procedures

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**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 a FCC Form 470, must post the RFP for at least 28 days for selecting a service provider and/or signing a contract.

*Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires applicants to seek competitive bids by posting a 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*, ¶ 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 program rules and that a fair and open competitive bid process occurs.

Administrative Procedures

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**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. § 54.504(b) requires applicants to seek competitive bids by posting a 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*, ¶ 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 services providers are aware additional bid information exists. It also ensures that the competitive bidding process is open and fair to all service providers.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Selective Review Information Request Certification

##### *Further Detail:*

Billed entities that undergo a Selective Review complete a Selective Review Information Request (SRIR), which is a series of questions that the applicant responds to about its competitive bidding selection process and requires the applicant to demonstrate they have secured the necessary resources to make effective use of any discounted services they received prior to receiving a funding commitment. The billed entity must complete a certification attesting to the validity of the information provided and that the individual who prepared the responses has the authority to complete the SRIR on behalf the billed entity.

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(c)(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(c)(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.”

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4. 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*, Order, 15 FCC Rcd 423, FCC 00-2 (2000); *Request for Review of the Decision of the Universal Service Administrator by Laurel Hall School*, 16 FCC Rcd 7762, DA 01-853 (2001); *Request for Review of the Decision of the Universal Service Administrator by New Orleans Public Schools*, Order, 16 FCC Rcd 16653, DA 01-2097 (2001).
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:*

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 billed entity understands the obligation to expend financial and professional resources.



## Administrative Procedures

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### **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 has 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(c)(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*, ¶ 48, 19 FCC Rcd at 15824.
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 has the authority to submit funding requests on behalf of the applicant, that applicant is aware of the funding request, and that applicant understands the obligation to expend financial and professional resources

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Split Funding Requests

##### *Further Detail:*

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

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires applicants to seek competitive bids by posting a FCC Form 470 to the USAC web site for a minimum of 28 days to initiate the competitive bidding process.
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(c) requires applicants to submit a 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 state and local procurement rules and under the terms of the contract between the applicant and its service provider, and (2) the applicant has notified its original service provider of its intent to change service providers. *See Request for Review of the Decision of the Universal Service Administrator by Copan Public Schools, Changes to the Board of Directors of the National Exchange Carrier Association, Inc., File No. SLD-26231, CC Docket Nos. 96-45, 97-21, Order, DA 00-100, ¶ 6 (2000).*
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.”

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6. 47 C.F.R. § 54.702(g) requires USAC to take “administrative action intended to prevent waste, fraud, and abuse.”
7. Procedures that provide for splitting FRNs were not established by Commission rules, but the procedure has been used 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 a FRN after USAC has made the funding commitment.

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### State Master Contract Procedure

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

#### *Further Detail:*

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

#### *Rules that this furthers:*

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

Administrative Procedures

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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 the benefits of State Master Contracts even though the applicant does not sign the State Master Contract. Lower costs through bundling demand in State Master Contracts increase cost-effective use of USF funds.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### State Replacement Contract Procedure

##### *Further Detail:*

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

##### *Rules that this furthers:*

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

Administrative Procedures

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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 the benefits of State Master Contracts even though the competitive process for selection of the service provider has not been completed at the time of the FCC Form 471 filing. Lower costs through bundling demand in State Master Contracts increase cost-effective use of USF funds.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Tainted FCC Forms 470

##### *Further Detail:*

When USAC determines that there is service provider contact information on a FCC Form 470 for a service provider that 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. § 54.504(b) 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 Request for Review of the Decision of the Universal Service Administrator by MasterMind Internet Services, Inc., Changes to the Board of Directors of the National Exchange Carrier Association, Inc., SPIN – 143006149, CC Docket No. 96-45, Order, 16 FCC Rcd 4028, FCC 00-167 (2000).*
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.”



Administrative Procedures

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*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 the competitive bidding.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

#### Tariff and Month-to-Month Services

##### *Further Detail:*

USAC denies Funding Request Number(s) (FRNs) for non-contracted Tariff and Month-to-Month Services unless the applicant can show that a 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. § 54.504(b) 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 the concept of 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 a FCC Form 470; a qualified existing contract is a signed contract executed pursuant to the posting of a FCC Form 470 in a previous year.” *Request for Review of the Decision by the Universal Service Administrator by Tomahawk School District, Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, 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.”

Administrative Procedures

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*How this furthers program integrity:*

Requires competitive bidding for tariff and month-to-month services on an annual basis.

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**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 service and are not referencing a previous FCC Form 470 to avoid this requirement.

*Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires applicants to seek competitive bids by posting a FCC Form 470 to the USAC web site for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.504(c) requires applicants to submit a FCC Form 471 to USAC after signing a contract for eligible services.
3. 47 C.F.R. § 54.507(d) requires applicants to submit a 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 compliance with competitive bidding program rules.

## Administrative Procedures

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### **Program Integrity Assurance**

#### *Administrative Procedure:*

Verify that applicant posted an FCC Form 470 seeking the category of service for which it seeks 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 beginning with Funding Year 2005, Maintenance Services.

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

#### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(b) requires the applicant to seek competitive bids by posting a 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. 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. 47 C.F.R. § 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.*, 12 FCC Rcd 9078, FCC 97-157, ¶ 575.

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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.

## Administrative Procedures

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### Service Substitutions

#### *Administrative Procedure:*

#### Service Substitution Deadline

##### *Further Detail:*

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

##### *Rules that this furthers:*

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

## Administrative Procedures

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### **SPIN Changes**

#### *Administrative Procedure:*

#### Global SPIN Changes

##### *Further Detail:*

Service Providers submit a 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. § 54.504(b) requires applicants to seek competitive bids by posting a 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(c) 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 state and local procurement rules and under the terms of the contract between the applicant and its service provider, and (2) the applicant has notified its original service provider of its



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intent to change service providers. *Copan Order*, 15 FCC Rcd 15543, DA 00-100, ¶ 6.

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 that submitted the invoice to USAC. Ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under enumerated circumstances.

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### **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.

##### *Rules that this furthers:*

1. 47 C.F.R. § 54.504(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 process submitted but price should be the primary factor considered.”
3. 47 C.F.R. § 54.504(c) 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 state and local procurement rules and under the terms of the contract between the applicant and its service provider, and (2) the applicant has notified its original service provider of its intent to change service providers. *Copan Order*, 15 FCC Rcd 15543, DA 00-100, ¶ 6.
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.”

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*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 the funding commitment. Ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under enumerated circumstances.

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

Administrative Procedures

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**Technology Plan Approver Review**

*Administrative Procedure:*

Partial Year Technology Plan Service End Date Adjustment

*Further Detail:*

USAC reviews the applicant's certified technology plan to ensure the technology plan covers the fund year requested. For funding requests where the technology plan does not cover the entire funding year, the service end dates will be adjusted to correspond with the technology plan dates.

*Rules that this furthers:*

1. 47 C.F.R. § 54.504(b)(2)(iii) requires the billed entity to certify as follows: "All of the individual schools, libraries, and library consortia receiving services are covered by: (A) Individual technology plans for using the services requested in the application; and/or (B) Higher-level technology plans for using the services requested in the application; or (C) No technology plan needed because application requests basic local and/or long distance service and/or voicemail only."
2. 47 C.F.R. § 54.504(c)(1)(iv) requires the billed entity to certify as follows: "All of the schools and libraries listed on the FCC Form 471 application are covered by: (A) An individual technology plan for using the services requested in the application, and/or (B) Higher-level technology plan(s) for using the services requested in the FCC Form 471 application; or (C) No technology plan needed; applying for basic local and long distance telephone service only."
3. 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.

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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 funds will not be disbursed for services until the technology plan has been approved.