



UNIVERSAL SERVICE ADMINISTRATIVE  
COMPANY

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**Request for Proposals for Audit Services  
In Support of the Oversight Program  
For Universal Service Fund Contributors**

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Responses due no  
later than 2:00 p.m.  
Eastern Time  
July 7, 2006

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## Introduction and Background

The Universal Service Administrative Company (“USAC”) is a not-for-profit Delaware corporation. The Federal Communications Commission (“Commission” or “FCC”) appointed USAC as the permanent administrator of the Universal Service Fund (“USF”) and the Universal Service Support Mechanisms (“Support Mechanisms”)—High Cost, Low Income, Rural Health Care and Schools & Libraries—as set forth in Title 47, Part 54, Section 701 of the Code of Federal Regulations.<sup>1</sup> Subject to Commission oversight, USAC performs the billing, collection, and disbursement functions associated with the USF and the Support Mechanisms. USAC is the neutral administrator of the USF, and may not make policy, interpret regulations, or advocate regarding policy matters.<sup>2</sup>

USAC is a wholly-owned subsidiary of the National Exchange Carrier Association (“NECA”). However, NECA has no management or operational control over USAC.<sup>3</sup> The Chairman of the FCC is responsible for selecting all members of the USAC Board of directors<sup>4</sup> and approving the selection of USAC’s Chief Executive Officer.<sup>5</sup> USAC is not a “Government corporation” as that term is defined in 31 U.S.C.A. §§ 9101-02.

As part of its role as Administrator, it is the responsibility of USAC to take measures to prevent and detect waste, fraud, and abuse involving the USF and the Support Mechanisms and to report to the FCC and Congress regarding administrative actions taken to prevent and detect waste, fraud and abuse.

The purpose of this Request for Proposals (“RFP”) is to invite the submission of offers from multiple independent public accounting firms, to perform audits of **Universal Service Fund contributors** and, for those firms with the requisite capability, to provide investigative support services, including audit, computer forensic support services, and telecommunications expertise. All proposals submitted in compliance with this RFP will be evaluated.

The objective of the audits are to: (1) to provide an opinion as to whether the contributors are in compliance with the Commission’s rules and regulations governing USF revenue reporting obligations, set forth in 47 C.F.R. Part 54, relevant Commission orders, and the Telecommunications Reporting Worksheet Instructions (collectively, “the Rules”), (2) detect waste, fraud, and abuse associated with the contributors’ failure to fulfill their Universal Service Fund revenue reporting obligations, (3) deter waste, fraud, and abuse associated with the contributors’ failure to fulfill their Universal Service Fund revenue reporting obligations, (4) identify areas for improvement of the Universal Service Fund FCC revenue reporting requirements, (5) identify areas for improvement in the compliance of the contributors with applicable law and (6) to identify instances of selected contributors’ failure to accurately report lawfully required revenue information to USAC for the calendar year under audit. The audits conducted pursuant to the

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<sup>1</sup> 47 C.F.R. § 54.701.

<sup>2</sup> 47 C.F.R. § 54.702(c).

<sup>3</sup> *See* 47 C.F.R. § 54.703(a).

<sup>4</sup> *See* 47 C.F.R. § 54.703(c).

<sup>5</sup> *See* 47 C.F.R. § 54.704(b).

contract(s) resulting from this procurement must be performed in accordance with Government Auditing Standards (“GAS”) as promulgated by the Comptroller General of the United States.

References in this RFP to “contract” include the engagement letter entered into between USAC and the contractor and any task orders issued under the contract. USAC may make awards to multiple contractors under this procurement, and in such event, USAC will enter into a contract with each contractor.

The acquisition process will assess the technical and management expertise and experience, past performance and cost in order to select a firm or firms considered the best value for doing the work. It is expected that individual task orders will be issued to the firm(s) selected for award (“Contractor(s)”) to perform some or all of the functions identified in this RFP.

**This RFP is for a private sector (non-governmental) procurement and is not subject to the requirements of the Federal Acquisition Regulation System (“FAR”) as set forth in Title 48 of the Code of Federal Regulations. References to the FAR and provisions of the FAR may be used where deemed appropriate in this RFP and may be incorporated by reference into this RFP.**

It is anticipated that the Contractor(s) shall begin performing the functions identified in this RFP no later than 10 business days following issuance of a task order by USAC. There may be multiple agreements issued. Task orders may be awarded on a fixed price or time and material basis.

Contractor(s) will be expected to provide information, reports and other documents, as requested, to USAC. USAC will enter into one or more contracts for services with the Contractors. USAC will pay all allocable and allowable fees and expenses from the USF, as mutually agreed to by the parties in the contract.

USAC reserves the right to amend, revise or cancel this RFP at any time at the sole discretion of USAC and no legal or other obligations are assumed by USAC by virtue of the issuance of this RFP, inclusive of committing to procuring the services sought therein. This RFP may include unintended errors or omissions, and the accuracy and completeness of this document is not guaranteed. In the future, regulatory authorities may issue rules, requirements, or policy directives that may increase, decrease, or otherwise affect the functions to be performed by the Contractor(s).

## **1. Proposal Pricing Requirements**

In submitting a proposal, a Contractor shall use the pricing guidelines specified in this Section 1. The provisions of this Section 1 shall be included in any engagement letter between Contractor and USAC.

### **1.1 Direct Labor Cost Categories**

Contractor shall use the following table of labor categories, which are more fully described in Section 1.3 below, and rates in submitting pricing for their proposal. Labor rates provided must be on a fully burdened basis.

Line Item	Labor Category	Base Year Rate	Option Year Rates			
			1	2	3	4
0001	Universal Service Fund Contributors	-----	1	2	3	4
0001AA	Partner/Principal/Director Financial Processing Services					
0001AB	Project Director Financial Processing Services					
0001AC	Deputy Project Manager Financial Processing Services					
0001AD	Senior Professional Financial Processing Services					
0001AE	Junior Professional Financial Processing Services					
0001AF	Asset Technician Financial Processing Services					
0001AG	Partner/Principal/Director Auditing Services					
0001AH	Experienced Senior Manager Auditing Services					
0001AJ	Senior Manager Auditing Services					
0001AK	Experienced Manager Auditing Services					
0001AL	Manager Auditing Services					
0001AM	Senior Staff Auditing Services					
0001AN	Junior Staff Auditing Services					
0001AP	Partner/Principal/Director Accounting Services					
0001AQ	Experienced Senior Manager Accounting Services					
0001AR	Senior Manager Accounting Services					
0001AS	Experienced Manager Accounting Services					
0001AT	Manager Accounting Services					
0001AU	Experienced Senior Consultant Accounting Services					
0001AV	Senior Staff Accounting Services					
0001AW	Junior Staff Accounting Services					
0001AX	Partner/Principal/Director Financial Management Services					
0001AY	Experienced Senior Manager Financial Management Services					
0001AZ	Senior Manager Financial Management Services					
0001BA	Experienced Manager Financial Management Services					

Line Item	Labor Category	Base Year Rate	Option Year Rates			
			1	2	3	4
0001	Universal Service Fund Contributors	-----	1	2	3	4
0001BB	Manager Financial Management Services					
0001BC	Experienced Senior Consultant Financial Management Services					
0001BD	Senior Staff Financial Management Services					
0001BE	Junior Staff Financial Management Services					
0002	Investigative Support Services					
0003	Other Direct Costs					

## 1.2 Other Direct Costs

Contractors must be committed to the policy of assuring the reasonableness of the level of expenses/Other Direct Costs (“ODCs”) on behalf of USAC. Contractor agrees to charge ODCs at cost or at no more than its best customer rates as provided below. ODCs will be paid (using the guidelines of permitted costs in the FAR at 48 C.F.R. § 52.232-7 or other applicable provisions under § 52.232) and as approved in writing by USAC in consultation with the FCC Office of Inspector General (“OIG”). Back-up documentation verifying charges for all ODCs must accompany any invoice to support payment. Such ODCs may include, but are not limited to:

(a) TRAVEL EXPENSES — travel expenses will be charged in accordance with the United States Government’s Joint Travel Regulations. Per diems for any other travel location involving contract performance may be found at <http://www.gsa.gov> or will be provided by USAC upon request by Contractor. Contractor will bill only coach airfare without mark-up and with any applicable volume or other discount.

(b) TELEPHONE — there shall be no charge for local telephone calls. Long-distance is billed without mark-up.

(c) DUPLICATING — lower of best customer rate or \$.10 per page. Color copies and special copying (CDs, videotapes, velo binding oversized copies, etc.) are charged based upon actual cost.

(d) FACSIMILE TRANSMISSIONS — no charge for inbound facsimiles and inbound teletype transmissions or any related local telephone charges. Outbound facsimile and teletype charges are \$.75 per page, plus the related actual long distance charges.

(e) MESSENGER SERVICES/OVERNIGHT COURIER — will be billed at the rate charged to Contractor, without mark-up and with any applicable volume or other discounts. In-house messenger will be charged at standard rate, not to exceed \$10 without the prior written approval of USAC. Any in-house messenger costs in excess of \$3,000 (individually or in aggregate) require the prior written approval of USAC.

(f) OVERTIME EXPENSES — will be billed at standard rate for secretarial and word processing related overtime work, i.e. non-exempt as defined in FAR § 22-403-3 (Service Contract Act). Any overtime in excess of \$3,000 (individually or in aggregate) requires the prior written approval of USAC.

(g) COMPUTERIZED RESEARCH SERVICES — will be billed at the actual third-party costs to contractor without mark-up and with any applicable volume or other discounts.

(h) DOCUMENT PROCUREMENT — procurement of outside documents by library personnel will be billed at \$10 per document. Any document procurement charges in excess of \$3,000 (individually or in aggregate) require the prior written approval of USAC.

(i) SUPPLIES — there will be no charge for standard office supplies. Special items (minute book, binding etc.) will be billed at actual cost. Any special item costs in

excess of \$1,000 (individually or in aggregate) require the prior written approval of USAC.

(j) OTHER EXPENSES — Any other expenses anticipated by Contractor to constitute an ODC under the contract shall be individually listed, described, and priced at its best customer rate. Documentation as to the reasonableness of the proposed expense must be provided. Any ODC's other than those specifically listed in paragraphs (a)-(i) above, will not be allowed unless and until approved in writing by USAC. Upon approval, such expenses will be paid as permitted with guidance provided by the FAR.

### **1.3 Labor Category Description**

#### ***Partner/Principal/Director Financial Processing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 10 years of applicable financial or business consulting experience, including substantial experience in managing the business associated with client requirements.

Functional Responsibility: Organizes and directs overall engagement performance. Ensures that goals and objectives are accomplished within prescribed timeframe and funding parameters. Negotiates and makes decisions for the firm. Participates in project status committee meetings to resolve issues through application of Firm resources or experience gained in other projects. Ensures compliance with Firm policies and professional standards.

#### ***Project Director Financial Processing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 7 years of applicable financial or business consulting experience, including substantial experience in project management.

Functional Responsibility: Performs day-to-day management of overall contract support operations. Manages and coordinates the planning and production of all contract support activities. Has authority and responsibility to identify and commit resources required to support effort. Crafts and enforces quality control programs.

#### ***Deputy Project Manager Financial Processing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including experience in project management.

Functional Responsibility: Assists Project Director in performing day-to-day management of overall contract support operations. Assists Project Director in managing



and coordinating the planning and production of all contract support activities. Subject to Project Director approval, has authority and responsibility to identify and commit resources required to support effort. Crafts and enforces quality control programs.

### ***Senior Professional Financial Processing Services***

Minimum Education: Paraprofessional certificate.

Minimum Experience: Experience in preparing documentation.

Functional Responsibility: Directs and supervises junior professional. Assists in drafting and preparing project documentation. Prepares readable documents to be used by project personnel.

### ***Junior Professional Financial Processing Services***

Minimum Education: None.

Minimum Experience: Experience in preparing documentation.

Functional Responsibility: Reports directly to Senior Professional. Assists in drafting and preparing project documentation. Prepares readable documents to be used by project personnel.

### ***Asset Technician Financial Processing Services***

Minimum Education: Associate or technical degree or equivalent professional experience.

Minimum Experience: None.

Functional Responsibility: Performs services in support of asset and loan sales. Provides administrative and related support to project team. Assists in drafting and preparing project deliverables.

### ***Partner/Principal/Director Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 10 years of applicable financial or business consulting experience, including substantial experience in managing the business associated with client requirements.

Functional Responsibility: Organizes and directs overall engagement performance. Ensures that goals and objectives are accomplished within prescribed timeframe and funding parameters. Negotiates and makes decisions for the firm. Participates in project

status committee meetings to resolve issues through application of Firm resources or experience gained in other projects. Ensures compliance with Firm policies and professional standards.

### ***Experienced Senior Manager Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 5 years of applicable financial or business consulting experience, including 3 years of management experience.

Functional Responsibility: Responsible for ensuring that technical or financial solutions and schedules are implemented in a timely manner. Resolves project staffing and planning issues. Works with agency/department resources on implementation issues. Manages firm staff assigned to project. Works with Project Director to resolve staffing and Firm resource issues. Conducts preliminary quality assurance over project deliverables and activities.

### ***Senior Manager Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 5 years of applicable financial or business consulting experience, including 3 years of management experience.

Functional Responsibility: Assigns work tasks to team members. Develops, maintains and monitors sub-task work plans. Performs first-line issue resolution. Provides updates on engagement progress to Experienced Senior Managers and helps draft final report. Conducts on-site quality control inspections. Reviews and approves all milestone documentation.

### ***Experienced Manager Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including two years of management experience.

Functional Responsibility: Develops business architecture for consulting services or framework for financial services. Establishes standards for projects. Supervises and reviews work product of less experienced managers. Integrates work product across project. Defines and maintains project's performance standards. Conducts performance reviews of managers and other less experienced staff. Has first-line responsibility for ensuring that project timeframes are satisfied.

### ***Manager Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including two years of management experience.

Functional Responsibility: Reviews all documentation prepared by more junior personnel and is responsible for initial drafting of final project reports prior to submission for approval. Assumes responsibility for coordination of subordinate activities. Monitors project performance and staff relationships. Conducts performance reviews of other less experienced staff. Corrects errors identified during acceptance process. Reports directly to Experienced Manager.

### ***Senior Staff Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 2 years of applicable financial or business consulting experience including one year of experience in a supervisory capacity.

Functional Responsibility: Analyzes and develops client solutions with team. Prepares documentation, reports and other deliverables for client approval. Assigns specific work tasks to more junior staff. Participates in planning of engagement and is responsible for all tasks delegated by Managers. Supports team in implementation and acceptance process. Ensures that deliverables are in compliance with statement of work.

### ***Junior Staff Auditing Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: None.

Functional Responsibility: Assists in drafting and preparing project deliverables. Supports team in implementation and acceptance process. Analyzes information and other project requirements. Develops required corrective or support actions. Assists manager in reporting and tracking of project costs and level of effort.

### ***Partner/Principal/Director Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 10 years of applicable financial or business consulting experience, including substantial experience in managing the business associated with client requirements.

Functional Responsibility: Organizes and directs overall engagement performance. Ensures that goals and objectives are accomplished within prescribed timeframe and funding parameters. Negotiates and makes decisions for the firm. Participates in project status committee meetings to resolve issues through application of Firm resources or experience gained in other projects. Ensures compliance with Firm policies and professional standards.

### ***Experienced Senior Manager Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 5 years of applicable financial or business consulting experience, including 3 years of management experience.

Functional Responsibility: Responsible for ensuring that technical or financial solutions and schedules are implemented in a timely manner. Resolves project staffing and planning issues. Works with agency/department resources on implementation issues. Manages firm staff assigned to project. Works with Project Director to resolve staffing and Firm resource issues. Conducts preliminary quality assurance over project deliverables and activities.

### ***Senior Manager Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 5 years of applicable financial or business consulting experience, including 3 years of management experience.

Functional Responsibility: Assigns work tasks to team members. Develops, maintains and monitors sub-task work plans. Performs first-line issue resolution. Provides updates on engagement progress to Experienced Senior Managers and helps draft final report. Conducts on-site quality control inspections. Reviews and approves all milestone documentation.

### ***Experienced Manager Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including two years of management experience.

Functional Responsibility: Develops business architecture for consulting services or framework for financial services. Establishes standards for projects. Supervises and reviews work product of less experienced managers. Integrates work product across project. Defines and maintains project's performance standards. Conducts performance

reviews of managers and other less experienced staff. Has first-line responsibility for ensuring that project timeframes are satisfied.

### ***Manager Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including two years of management experience.

Functional Responsibility: Reviews all documentation prepared by more junior personnel and is responsible for initial drafting of final project reports prior to submission for approval. Assumes responsibility for coordination of subordinate activities. Monitors project performance and staff relationships. Conducts performance reviews of other less experienced staff. Corrects errors identified during acceptance process. Reports directly to Experienced Manager.

### ***Experienced Senior Consultant Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience including two years of experience in a supervisory capacity.

Functional Responsibility: Develops and implements systems and creates and maintains databases. Prepares technical documentation, reports and other deliverables for client approval. Supports team and helps administer implementation and testing. Participates in planning of engagement and is responsible for all tasks delegated by Managers.

### ***Senior Staff Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 2 years of applicable financial or business consulting experience including one year of experience in a supervisory capacity.

Functional Responsibility: Analyzes and develops client solutions with team. Prepares documentation, reports and other deliverables for client approval. Assigns specific work tasks to more junior staff. Participates in planning of engagement and is responsible for all tasks delegated by Managers. Supports team in implementation and acceptance process. Ensures that deliverables are in compliance with statement of work.

### ***Junior Staff Accounting Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: None.

Functional Responsibility: Assists in drafting and preparing project deliverables. Supports team in implementation and acceptance process. Analyzes information and other project requirements. Develops required corrective or support actions. Assists manager in reporting and tracking of project costs and level of effort.

***Partner/Principal/Director Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 10 years of applicable financial or business consulting experience, including substantial experience in managing the business associated with client requirements.

Functional Responsibility: Organizes and directs overall engagement performance. Ensures that goals and objectives are accomplished within prescribed timeframe and funding parameters. Negotiates and makes decisions for the firm. Participates in project status committee meetings to resolve issues through application of Firm resources or experience gained in other projects. Ensures compliance with Firm policies and professional standards.

***Experienced Senior Manager Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 5 years of applicable financial or business consulting experience, including 3 years of management experience.

Functional Responsibility: Responsible for ensuring that technical or financial solutions and schedules are implemented in a timely manner. Resolves project staffing and planning issues. Works with agency/department resources on implementation issues. Manages firm staff assigned to project. Works with Project Director to resolve staffing and Firm resource issues. Conducts preliminary quality assurance over project deliverables and activities.

***Senior Manager Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 5 years of applicable financial or business consulting experience, including 3 years of management experience.

Functional Responsibility: Assigns work tasks to team members. Develops, maintains and monitors sub-task work plans. Performs first-line issue resolution. Provides updates on engagement progress to Experienced Senior Managers and helps draft final report.

Conducts on-site quality control inspections. Reviews and approves all milestone documentation.

***Experienced Manager Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including two years of management experience.

Functional Responsibility: Develops business architecture for consulting services or framework for financial services. Establishes standards for projects. Supervises and reviews work product of less experienced managers. Integrates work product across project. Defines and maintains project's performance standards. Conducts performance reviews of managers and other less experienced staff. Has first-line responsibility for ensuring that project timeframes are satisfied.

***Manager Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience, including two years of management experience.

Functional Responsibility: Reviews all documentation prepared by more junior personnel and is responsible for initial drafting of final project reports prior to submission for approval. Assumes responsibility for coordination of subordinate activities. Monitors project performance and staff relationships. Conducts performance reviews of other less experienced staff. Corrects errors identified during acceptance process. Reports directly to Experienced Manager.

***Experienced Senior Consultant Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 3 years of applicable financial or business consulting experience including two years of experience in a supervisory capacity.

Functional Responsibility: Develops and implements systems and creates and maintains databases. Prepares technical documentation, reports and other deliverables for client approval. Supports team and helps administer implementation and testing. Participates in planning of engagement and is responsible for all tasks delegated by Managers.

***Senior Staff Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: 2 years of applicable financial or business consulting experience including one year of experience in a supervisory capacity.

Functional Responsibility: Analyzes and develops client solutions with team. Prepares documentation, reports and other deliverables for client approval. Assigns specific work tasks to more junior staff. Participates in planning of engagement and is responsible for all tasks delegated by Managers. Supports team in implementation and acceptance process. Ensures that deliverables are in compliance with statement of work.

### ***Junior Staff Financial Management Services***

Minimum Education: Bachelors Degree in relevant business or technical field.

Minimum Experience: None.

Functional Responsibility: Assists in drafting and preparing project deliverables. Supports team in implementation and acceptance process. Analyzes information and other project requirements. Develops required corrective or support actions. Assists manager in reporting and tracking of project costs and level of effort.

## **2. Overview of Universal Service Fund Contribution Methodology**

On May 7, 1997, the FCC adopted a Universal Service Order implementing the universal service provisions of the Telecommunications Act of 1996.<sup>6</sup> As set forth by Congress, the fundamental principle of “universal service” is that “consumers in all regions of the nation, including those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.”

The USF was established by the FCC in compliance with the Telecommunications Act of 1996 to provide for affordable access to specified telecommunications services for all communities, regardless of location or economic strata. USAC administers the USF under the direction of the FCC. USAC is governed by a Board of Directors and the programmatic committees for each support mechanism. Members of the Board of Directors are selected by the Chairman of the FCC, and by regulation are required to represent the diverse interest groups that are interested in and affected by the USF. Directors do not receive compensation for service on the Board.<sup>7</sup>

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<sup>6</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997), as corrected by *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Erratum, FCC 97-157 (1997), *aff'd in part, rev'd in part, remanded in part sub nom. Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393 (5th Cir., 1999), *cert. denied, Celpage, Inc. v. FCC*, 530 U.S. 1210 (2000) (*Universal Service Order*).

<sup>7</sup> 47 C.F.R. §§ 54.703, 705.



For more information concerning the USF, please refer to 47 C.F.R. Part 54, the FCC orders implementing various aspects of the Support Mechanisms, and USAC's website, [www.USAC.org](http://www.USAC.org).

## 2.1 USF Contribution Methodology Overview

Section 254 of the Telecommunications Act of 1996 (the 1996 Act) requires “[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service.”<sup>8</sup> Section 254 further requires telecommunications carriers who receive universal service support “shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”<sup>9</sup> In the 1997 Universal Service Order, the Commission established the rules for making contributions to the USF.<sup>10</sup>

Telecommunications carriers are currently required to contribute to the USF based on their projected interstate and international end-user telecommunications revenues.<sup>11</sup> Carriers report projected revenues to USAC quarterly on FCC Form 499-Q,<sup>12</sup> and USAC uses the data to file with the Commission quarterly universal service funding requirements based on USF demand and USAC's administrative expenses.<sup>13</sup> The Commission sets the quarterly contribution factor based on the quarterly carrier revenue and projected demand data filed by USAC.<sup>14</sup> USAC then bills carriers a monthly contribution amount based on the quarterly contribution factor and disburses support to contributors and other service providers who have provided support to eligible recipients under each of the four universal service support programs.<sup>15</sup>

## 2.2 USF Contribution Methodology Administration

FCC regulations provide that contributions to the Support Mechanisms shall be based on contributors' end-user telecommunications revenues and a contribution factor determined quarterly by the Commission based on information submitted by USAC.<sup>16</sup> To meet this requirement, USAC collects quarterly revenue data four times each year from

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<sup>8</sup> 47 U.S.C. § 254(d). The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat 56, 71-5, amended the Communications Act of 1934.

<sup>9</sup> 47 U.S.C. § 254(e).

<sup>10</sup> See *Universal Service Order*, 12 FCC Rcd 8776.

<sup>11</sup> 47 C.F.R. § 54.706; see also 47 U.S.C. § 254(d).

<sup>12</sup> 47 C.F.R. § 54.711; Telecommunications Reporting Worksheet, Annual Filing, OMB 3060-0855, March 2006 (FCC Form 499-A) (form for reporting annual revenue); Telecommunications Report Worksheet, Quarterly Filing for Universal Service Contributors, OMB 3060-0855, September 2005 (FCC Form 499-Q) (form for reporting quarterly revenue). Collectively, these forms are referred to as “FCC Form 499.”

<sup>13</sup> 47 C.F.R. § 54.709(a).

<sup>14</sup> *Id.*

<sup>15</sup> 47 C.F.R. §§ 54.706, 54.709.

<sup>16</sup> 47 C.F.R. §§ 54.706, 708, 709, 711.

approximately 2,900 contributors and, in April, annual revenue data for the previous year from approximately 6,000 contributors. As required by FCC regulations USAC collects, verifies, and summarizes the interstate and international industry revenue reported and includes the information in its quarterly filings with the FCC.

The Commission has set forth the rules governing the administration of the USF contribution methodology, collections, and disbursements in a series of orders and regulations. Telecommunications carriers are required to contribute to the USF based on projected interstate and international end-user telecommunications revenues.<sup>17</sup> Carriers report revenues quarterly on FCC Form 499-Q and annually on FCC Form 499-A.<sup>18</sup> Contributors report projected quarterly interstate telecommunications revenue to USAC in February, May, August, and November.<sup>19</sup> Carriers report prior year collected revenue in April.<sup>20</sup> The FCC requires a corporate officer to certify under penalty of perjury the accuracy of filings.<sup>21</sup> Contributors whose annual contribution would be less than \$10,000 fall within the Commission's *de minimis* exemption and are not required to file FCC Form 499-Qs but are required to file the annual FCC Form 499-A.<sup>22</sup>

### **3. Statement of Work**

#### **3.1 Objectives of the USF Oversight Program**

Objectives of the oversight program have been identified to support the effective and efficient implementation of the USF program and to help ensure that entities receiving support are in compliance with program rules and regulations. The audits are designed to achieve the following objectives: (1) to provide an opinion as to whether the contributors are in compliance with the Commission's rules and regulations governing USF revenue reporting obligations, set forth in 47 C.F.R. Part 54, relevant Commission orders, and the Telecommunications Reporting Worksheet Instructions (collectively, "the Rules"), (2) detect waste, fraud, and abuse associated with the contributors' failure to fulfill their Universal Service Fund revenue reporting obligations, (3) deter waste, fraud, and abuse associated with the contributors' failure to fulfill their Universal Service Fund revenue reporting obligations, (4) identify areas for improvement of the Universal Service Fund FCC revenue reporting requirements, (5) identify areas for improvement in the compliance of the contributors with applicable law and (6) to identify instances of selected contributors' failure to accurately report lawfully required revenue information to USAC for the calendar year under audit.

The tasks assigned under this contract will be performed in accordance with Government Auditing Standards ("GAS") as promulgated by the Comptroller General of the United

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<sup>17</sup> 47 C.F.R. § 54.706; *see also* 47 U.S.C. § 254(d).

<sup>18</sup> *See* 47 C.F.R. §§ 54.706, 54.709, 54.711.

<sup>19</sup> *Id.*; *see also* FCC Form 499-Q Instructions (<http://www.universalservice.org/res/forms/fund-administration/499Q.pdf>).

<sup>20</sup> *Id.*; *see also* FCC Form 499-A Instructions ([http://www.universalservice.org/res/documents/fund-administration/pdf/499/499ai\\_2006\\_030806.pdf](http://www.universalservice.org/res/documents/fund-administration/pdf/499/499ai_2006_030806.pdf)).

<sup>21</sup> *See* 47 C.F.R. § 54.711(a).

<sup>22</sup> 47 C.F.R. § 54.708. Section 54.708 provides that *de minimis* contributors need not file an annual FCC Form 499-A unless they are otherwise required to do so by the Commission's rules. *Id.*

States. As stated previously, multiple contracts may be awarded and task orders may be awarded on a time and materials or fixed price basis. Accordingly, Contractor(s) systematic approach to examining systems and internal controls and effective procedures, including consideration of risk and materiality, to determine the extent of testing and review, must be performed during each review, in accordance with the audit program established for each assignment.

USAC will provide specialized training as needed to support the objectives of each task assigned. Contractor(s) experience, knowledge and continuing professional education in performing GAS audits and its approach to providing a consistent, quality work product, will be essential to accomplishing the mission of the oversight program.

The following sections describe specific aspects of the oversight plan that Contractor(s) may perform or support in total or in part because of the number of audits estimated to be performed under this RFP, as stated below, bids entailing multiple separate contracts based on the individual Support Mechanisms and entailing the utilization of subcontractors are permissible. Prospective bidders will be allowed to bid on all or part of the work contemplated under the RFP, including bidding by support mechanism. It is the intent of USAC to award one or more contracts for the audit services described herein.

## **3.2 Audits of USF Contributors**

USAC is responsible for collecting mandatory contributions to the USF and disbursing support payments to all eligible entities. In 2005, USAC billed and collected approximately \$7 billion from more than 2,900 USF contributors. During the same period, USAC distributed approximately \$6.5 billion to approximately 5,000 service providers.

The purpose of this RFP is to invite the submission of offers from independent accounting firms to conduct attestation compliance engagements (the engagement may include desk reviews for USF contributors based on the criteria set by USAC and approved by the FCC OIG) in accordance with compliance attestation standards established by the American Institute of Certified Public Accountants and Comptroller General of the United States, *Government Auditing Standards (2003 Revision)*, with the objective of expressing an opinion as to whether USF contributor management assertions are presented in conformity with requirements of the specific FCC Part 54 rules<sup>23</sup> and Orders related to the USF contributor revenue reporting obligations.<sup>24</sup> Contractors are to review USF contributor revenue reporting for the 2005 calendar year (January 1, 2005 through December 31, 2005) as reported on the 2006 FCC Form 499-A.

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<sup>23</sup> See 47 C.F.R. Part 54.

<sup>24</sup> See, e.g., *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952 (2002) (*Interim Contribution Methodology Order*).

**Contractor(s) selected will be expected to perform attestation engagements of USF contributors based on the sample shown below in Appendix A.** Contractors may submit proposals for all or a portion of the audits to be conducted, including bids on a state-by-state basis. In all cases, Contractors will be expected to deliver completed final audit reports by July 31, 2007.

Investigative support, which includes, but is not limited to, audit, telecommunications expertise and computer forensic support, may be required as a result of any alleged improprieties uncovered in the audit process of USF contributors. A Contractor will be expected to bring these improprieties immediately to the attention of the FCC's OIG and USAC. The OIG has a close working relationship with USAC as well established relationships with the Federal Bureau of Investigation and the Department of Justice to investigate any potential criminal and civil improprieties related to the USF and the Support Mechanisms. To the extent any investigative support to investigations becomes necessary under this contract, the relevant level of investigative support will be dealt with on a case-by-case basis, and will be subject to an individual task order with its own scope and estimated cost, which will be mutually agreed upon between the parties to this contract.

USAC, in consultation with the OIG, anticipates conducting, at a minimum, the number of audits necessary to calculate an estimated error rate across the audit universe. The time required to audit each USF contributor may vary significantly depending on the size and complexity of the contributor's operations. Appendix A to this RFP specifies the number of companies to be audited in each state and the amount of contributions each company made to the USF.

Draft audit reports shall include the audited entity's responses to a draft report and shall be submitted to USAC and the FCC OIG no later than six weeks after completion of field work or no later than May 31, 2007, whichever comes first. The date of completion of field work shall be the date the final set of audit findings are presented and discussed with the auditee. Subsequent thereto, USAC shall review and provide formal comment on the audit findings within 30 days of receiving a draft audit report. Not later than two weeks after USAC has provided its formal response to a draft report, a final report shall be transmitted by Contractor to USAC and to the FCC's Office of the Inspector General for review and approval. In no event shall Contractors provide final audit reports later than July 31, 2007.

### **3.3 Deliverables**

A successful respondent to this RFP will enter into a contract with USAC to perform services described in this RFP. That Contractor shall commence work on the engagement no later than **10 business days following issuance of a task order by USAC.** In conducting the audits and matters related to the audits, Contractors and their employees are expected to comply with all ethical standards applicable to United States Government employees (as set forth in 5 C.F.R. § 2635). During the performance of the engagement, Contractor(s) (as well as its/their agents and employees) are expected to meet and communicate frequently with USAC to discuss project status. Such meetings are expected to be held at the discretion of USAC, and at least on a monthly basis, at a minimum, unless Contractor(s) are notified otherwise by USAC. In addition to any specific deliverables identified during the course of performing a particular

task order, Contractor(s) shall provide the following services/deliverables, which shall be included as requirements in the contract:

- USAC expects to provide specialized training to Contractor(s) relating to the universal service Rural Health Care support mechanism as part of the preliminary steps of the review. For purposes of preparing the proposal, respondents should assume that the training will extend over one to two days. Contractor(s) is required to provide similar training to all team members who do not attend the USAC-sponsored training session.
- The auditor will ensure that no conflicts of interest exist with respect to itself (and its employees and agents) and the audited entities and will provide a copy of its internal search for conflicts procedures and document to USAC and/or the OIG.
- Depending on the arrangements agreed to with USAC, Contractor(s) will ensure availability of an investigative staff to begin work immediately at the request of USAC and/or the FCC OIG. If investigative work commences, USAC will make available to the auditor all necessary documents necessary to complete the analysis. The auditor will perform all work in accordance with applicable laws and regulations.
- USAC and the auditor shall notify the FCC OIG in instances where there is difficulty obtaining the requested documentation.
- USAC and the auditor shall notify the FCC OIG when changes to the audit program are necessary.
- The auditor shall provide a copy of all draft audit reports to USAC's Internal Audit Division and the FCC OIG. The draft audit reports shall follow all relevant reporting standards required by *Generally Accepted Government Auditing Standards (2003 Revision)*. All draft and final reports shall be submitted in grammatically correct English, without misspellings or syntax or substantive errors, and without any errors in logic or applicable U.S. government auditing standards.
- All work papers shall be prepared in accordance with U.S. Government auditing standards and procedures. Copies of all work papers shall be made available to USAC and the OIG (for permanent retention by USAC and/or the OIG) upon request in a form and on media specified by USAC or the OIG, and include at a minimum (but without limitation):
  - Risk assessments.
  - Audit program detailing the audit procedures (internal controls and compliance testing) to be performed.
  - A risk assessment that details the rules, risks and planned test procedures that are linked to the audit program steps.
  - Documentation of the working paper elements (e.g., source of information, scope of the step performed, purpose of the work paper, and the results).
  - Findings with clear elements of condition, cause, criteria, effect, and recommendations.

- Summary documentation on findings including internal controls and compliance and overall audit summary.

USAC and/or the OIG may make any and all uses of such work papers for their internal business purposes.

- A summary report of all violations encountered during the audit process (a “Capping Report”) shall be submitted at each status meeting and at the conclusion of the engagement.
- All draft and final reports (including Capping Reports) shall be devoid of grammatical and spelling errors and shall also be devoid of errors of fact, substance, and logic for payment to be made.
- An audit program using the attestation compliance standards shall be submitted to USAC and the FCC OIG to determine whether all risks associated with the program are addressed.
- Each of the Contractor(s) shall employ Certified Public Accountants in each of the jurisdictions in which the audit work is performed who, in turn, shall supervise the audit work that pertains to auditees in those jurisdictions.
- For each entity audited, attestation statements as to whether each entity audited has been in compliance with the Federal Communications Commission's rules and regulations that are contained in, or referenced by, 47 C.F.R. Part 54 and the Commission's interpretations of those rules and regulations (including those of the Federal Communications Commission's Wireline Competition Bureau).
- Contractor(s) shall immediately notify USAC and the FCC OIG of any suspected fraudulent activity or non-compliance with applicable Commission rules or orders disclosed during the performance of any task order established under this contract. A detailed description of the suspected fraudulent activity must be included with the notification. Notice shall be given orally and in writing, to: (i) USAC, Wayne Scott, Vice President of Internal Audit, 202/776-0200, [wscott@USAC.org](mailto:wscott@USAC.org); (ii) FCC OIG, David Hunt, Assistant Inspector General - Investigations, 202-418-1522, [David.Hunt@fcc.gov](mailto:David.Hunt@fcc.gov); and (iii) FCC OIG, William Hill, 202-418-0814, [William.Hill@fcc.gov](mailto:William.Hill@fcc.gov).
- The written (hard copy and electronic) contract deliverables will be provided to USAC or as otherwise directed. USAC will provide the final review and approval of written contract deliverables. Each deliverable shall be submitted in hard copy and in an electronic format compatible with Microsoft Office.

Contractor(s) shall provide all deliverables to:

Universal Service Administrative Company  
Attention: Wayne Scott,  
Vice President - Internal Audit  
2000 L Street, N.W., Suite 200  
Washington, D.C. 20036  
[Wscott@USAC.org](mailto:Wscott@USAC.org)

## **4. Terms and Conditions**

### **4.1 Key Personnel Requirements**

Certain skilled experienced professional and/or technical personnel are essential for successful performance of the work required under this contract. USAC will identify which positions are designated for Key Personnel in the contract.

Contractor agrees that such Key Personnel shall not be removed from the contract effort, replaced or added to the contract without a compelling reason (e.g. death of present personnel, personnel leaving company employ, unavailability due to excessive or unanticipated demand made by USAC under any order), and without compliance with the balance of this clause. USAC will not approve substitutions for the sole convenience of Contractor.

If any changes to the list of authorized Key Personnel (substitutions or additions) become necessary, Contractor shall immediately notify the contact person designated by USAC in the contract in writing, accompanied by the resume of the proposed replacement personnel who shall be of at least substantially equal ability and qualifications as the individuals currently approved for that category.

No Key Personnel substitutions or replacements shall be approved within the first ninety days of the issuance of this contract.

All requests for approval of changes hereunder must be in writing and provide a detailed explanation of circumstances necessitating the proposed change. Request for changes should be made whenever the need is identified, and not at the time of quote submittal. Beside the resume, the request must also provide for each individual:

- a. comparison of skills and qualifications to those set forth in the accepted resume proposed for substitution;
- b. a signed employee confidentiality agreement, and
- c. any other information requested by an authorized USAC representative to reach a decision.

The authorized USAC representative will evaluate such requests and promptly notify Contractor of his/her approval or disapproval in writing.

If Contractor uses any personnel under Key Personnel categories in performing the effort who are not identified as key personnel, Contractor shall bear the total risk if any individual is subsequently disapproved by an authorized USAC representative.

### **4.2 Inspection and Acceptance**

#### **4.2.1 Inspection of Services—Fixed-Price**

- (a) *Definition.* “Services,” as used in this clause, includes services performed, workmanship, and material furnished or utilized in the performance of services.
- (b) Contractor shall provide and maintain an inspection system acceptable to USAC covering the services under this contract. Complete records of all

inspection work performed by Contractor shall be maintained and made available to USAC during contract performance and for as long afterwards as the contract requires but in no event less than three years following completion of all Task orders.

- (c) USAC has the right to inspect and test all services called for by the contract, to the extent practicable at all times and places during the term of the contract.
- (d) If USAC performs inspections or tests on the premises of Contractor or a subcontractor, Contractor shall furnish, and shall require subcontractors to furnish, at no increase in contract price, all reasonable facilities and assistance for the safe and convenient performance of these duties.
- (e) If any of the services do not conform with contract requirements, USAC may require Contractor to perform the services again in conformity with contract requirements, at no increase in contract amount. When the defects in services cannot be corrected by re-performance, USAC may: (1) require Contractor to take necessary action to ensure that future performance conforms to contract requirements; and (2) reduce the contract price to reflect the reduced value of the services performed.
- (f) If Contractor fails to promptly perform the services again or to take the necessary action to ensure future performance in conformity with contract requirements, USAC may: (1) by contract or otherwise, perform the services and charge to Contractor any cost incurred by USAC that is directly related to the performance of such service; or (2) terminate the contract for default.

#### **4.2.2 Inspection—Time-and-Material and Labor-Hour**

- (a) *Definitions.* As used in this clause:
  - “Contractor’s managerial personnel” means any of Contractor’s directors, officers, managers, superintendents, or equivalent representatives who have supervision or direction of: (1) all or substantially all of Contractor’s business; (2) all or substantially all of Contractor’s operation at any one plant or separate location where the contract is being performed; or (3) a separate and complete major industrial operation connected with the performance of this contract.
  - “Materials” includes data when the contract does not include the Warranty of Data clause.
- (b) Contractor shall provide and maintain an inspection system acceptable to USAC covering the material, fabricating methods, work, and services under this contract. Complete records of all inspection work performed by Contractor shall be maintained and made available to USAC during contract performance and for as long afterwards as the contract requires.
- (c) USAC has the right to inspect and test all materials furnished and services performed under this contract, to the extent practicable at all places and



times, including the period of performance, and in any event before acceptance. USAC may also inspect the plant/office or plants/offices of Contractor or any subcontractor engaged in contract performance.

- (d) If USAC performs inspection or test on the premises of Contractor or a subcontractor, Contractor shall furnish and shall require subcontractors to furnish all reasonable facilities and assistance for the safe and convenient performance of these duties.
- (e) Unless otherwise specified in the contract, USAC shall accept or reject services and materials at the place of delivery as promptly as practicable after delivery, and they shall be presumed accepted 60 days after the date of delivery, unless accepted earlier.
- (f) At any time during contract performance, but not later than six months (or such other time as may be specified in the contract) after acceptance of the services or materials last delivered under this contract, USAC may require Contractor to replace or correct services or materials that at time of delivery failed to meet contract requirements. Except as otherwise specified in paragraph (h) of this clause, the cost of replacement or correction shall be determined pursuant to the rates set forth in Section 1 of this RFP and made a part of the contract, but the “hourly rate” for labor hours incurred in the replacement or correction shall be reduced to exclude that portion of the rate attributable to profit. Contractor shall not tender for acceptance materials and services required to be replaced or corrected without disclosing the former requirement for replacement or correction, and, when required, shall disclose the corrective action taken.
- (g) (1) If Contractor fails to proceed with reasonable promptness to perform required replacement or correction, and if the replacement or correction can be performed within the ceiling price (or the ceiling price as increased by USAC), USAC may: (i) by contract or otherwise, perform the replacement or correction, charge to Contractor any increased cost, or deduct such increased cost from any amounts paid or due under this contract; or (ii) terminate this contract for default. (2) Failure to agree to the amount of increased cost to be charged to Contractor shall be a dispute.
- (h) Notwithstanding paragraphs (f) and (g) of this clause, USAC may at any time require Contractor to remedy by correction or replacement, without cost to USAC, any failure by Contractor to comply with the requirements of this contract, if the failure is due to: (1) fraud, lack of good faith, or willful misconduct on the part of Contractor’s managerial personnel; or (2) the conduct of one or more of Contractor’s employees selected or retained by Contractor after any of Contractor’s managerial personnel has reasonable grounds to believe that the employee is habitually careless or unqualified.

- (i) This clause applies in the same manner and to the same extent to corrected or replacement materials or services as to materials and services originally delivered under this contract.
- (j) Contractor has no obligation or liability under this contract to correct or replace materials and services that at time of delivery do not meet contract requirements, except as provided in this clause or as may be otherwise specified in the contract.
- (k) Unless otherwise specified in the contract, Contractor's obligation to correct or replace USAC-furnished property shall be governed by the clause pertaining to USAC property.

### **4.3 Deliveries**

Time of delivery of services and work product will be specified in individual task orders.

### **4.4 Designation of USAC Technical Representative**

USAC will designate a technical representative ("TR") for each task order.

The TR is responsible for the technical direction of the contract work. In no event, however, will any understanding, agreements, modifications, change orders, or other matters deviating from the terms of this contract be effective or binding on USAC unless formalized by proper contractual document executed prior to completion of the contract.

The USAC TR shall be informed as soon as possible of any actions or inactions by Contractor or USAC which may affect the price, required delivery or completion times stated in the contract, so that the contract may be modified if necessary. Whenever, in the opinion of Contractor, the TR requests efforts outside the scope of the contract, Contractor shall advise the TR. If the TR persists and there still exists a disagreement as to proper contractual coverage, the USAC Vice President of Internal Audit should be notified immediately, preferably in writing if time permits. Proceeding with work without proper contractual coverage could result in non-payment.

### **4.5 Invoices**

Invoices shall be submitted in an original and two copies to USAC. To constitute a proper invoice, the invoice must include the following information and/or attached documentation:

- Name of the business concern, invoice number and invoice date;
- Contract number, or authorization for delivery of property or performance of services;
- Description, price, and quantity of property and services actually delivered or rendered;
- Shipping and payment terms;
- Name (where practicable), title, phone number, and complete mailing address of responsible official to whom payment is to be sent;

- Other substantiating documentation or information as required by the contract; and,
- Receipts to support all out-of-pocket expenses incurred by Contractor.

#### SUBMISSION OF INVOICES:

Invoices shall be submitted in an original and two copies to: USAC

The invoice will contain a statement signed by a responsible official of contractor substantially similar if not identical to the following:

I certify that the items above have been delivered in accordance with the contract, and that all charges are true, correct, and have not been previously billed.

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Contractor's Signature

USAC will return all improper invoices without action.

#### Payment due date:

Unless otherwise specified in the contract, payments under this contract will be made on the 30<sup>th</sup> calendar day after the later of: (i) the date of actual receipt of a proper invoice in the office designated to receive the invoice, or (ii) the date tasks are formally accepted by USAC.

If the services covered by a submitted invoice are rejected for failure to conform to the technical requirements of this contract, the provisions stated above will (i and ii) apply to the properly resubmitted document.

#### **4.6 Special Requirements – Ordering**

- (a) Any supplies and services to be furnished under this contract shall be ordered by issuance of delivery orders or task orders by the USAC TR or Vice President of Internal Audit.
- (b) All delivery orders or task orders are subject to the terms and conditions of this contract. In the event of conflict between a delivery order or task order and this contract, the contract shall control.
- (c) If mailed, a delivery order or task order is considered “issued” when USAC deposits the order in the mail. Orders may be issued orally, by facsimile, or by electronic commerce methods only if authorized in the contract.

## **4.7 Clauses**

### **4.7.1 Compliance with Applicable Laws**

Contractor represents and warrants that it is in compliance as of the effective date of the agreement between Contractor and USAC and will remain in compliance during the term of this agreement with all applicable federal, state and local laws in performing the work and otherwise in its actions under this agreement. Contractor shall defend and indemnify USAC from and against any and all claims and liabilities, including without limitation attorneys' fees and other costs, associated with any breach of the warranty set forth herein.

### **4.7.2 General Examination of Records**

- (a) USAC, the FCC or the Comptroller General of the United States, or their authorized representatives, shall have access to and right to examine any of Contractor's directly pertinent records involving transactions related to this contract.
- (b) Contractor shall make available at its offices at all reasonable times the records, materials, and other evidence for examination, audit, or reproduction, for a period not less than three years after final payment under this contract. If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement. Records relating to appeals under the disputes clause or to litigation or the settlement of claims arising under or relating to this contract shall be made available until such appeals, litigation, or claims are finally resolved.
- (c) As used in this clause, records include books, documents, accounting procedures and practices, and other data, regardless of type and regardless of form. This does not require Contractor to create or maintain any record that Contractor does not maintain in the ordinary course of business or pursuant to a provision of law.

## **5. Submission of Proposals**

### **5.1 Pre-Submission Information and Deadline and Key Event Dates**

An award under this RFP will be task order driven with the period of performance running one (1) year from the date of contract award with four (4) one-year option periods.

USAC will establish a reading room at the USAC offices that will contain documentation of current rules and procedures as well as copies of USF audit reports previously performed. Bona fide bidders may make appointments to use the reading room starting on the date identified above. A non-disclosure agreement in the form set forth in Appendix B to this RFP must be signed prior to gaining access to the reading room.

Following are deadlines and key event dates associated with this procurement:

- **6/20 – RFP Posted on USAC Website. Electronic Reading Room available immediately.**
- **6/21-6/23 – Reading Room for review of confidential materials open by appointment. An NDA must be signed to have access to the Reading Room. To request an appointment to use the Reading Room, please send an email to: [rfpcont@usac.org](mailto:rfpcont@usac.org). Include at least three alternative dates and times in four hour increments requested. Also, please include full contact information for the person who USAC should respond to concerning this request.**
- **6/23 – Written questions due to USAC. Please email written questions to [rfpcont@usac.org](mailto:rfpcont@usac.org).**
- **6/30 – USAC responses to written questions sent.**
- **7/7 – Proposals due.**
- **8/21 – Projected First Task Order Award.**

USAC reserves the right to post additional information concerning this procurement and modify the RFP and/or one or more of the dates listed above, and in such event, it will post a notice on its website at: <http://www.universalservice.org/about/>. Contractors are responsible for regularly checking the USAC website for notices concerning this procurement. USAC is not responsible for notifying any contractor of the existence of such notices or the results of a contractor failing to check the website to obtain such notices.

## **5.2 General Requirements**

Respondents to the RFP are responsible for any and all costs incurred in the preparation of a response, including situations relating to amending or revising the RFP, making oral or written presentations, evaluating offers, awarding or canceling contracts, or canceling of the RFP. USAC shall in no event be responsible for any such costs. USAC reserves the right to withdraw or revise this RFP at any time. No legal or other obligations are assumed by USAC by virtue of the issuance of this RFP, inclusive of committing to procuring the services sought therein.

Proposals may be withdrawn by written notice received by hand, U.S. Mail or facsimile at any time before award. Proposals may be withdrawn in person by a Contractor or an authorized representative, if the representative's identity is made known and the representative signs a receipt for the proposal before award.

Offers utilizing subcontractors are permissible. Contractors will be allowed to propose on all or part of similar audit work for the USF and the other Support Mechanisms, individually. Audit services for USF contributor revenue reporting and the Support Mechanisms will be acquired through issuance of separate RFPs and procurements.

Any proposal that fails to comply with the following document preparation and submission requirements may be rejected in the sole discretion of USAC.

- Each proposal must consist of two distinct volumes with the contents of each volume as specified below. Each volume must contain a cover page. The cover page shall include the name of the respondent's organization, and the respondent's contact

name, address, telephone number, facsimile number, electronic mail address, web site address, date and signature of a duly authorized respondent representative.

- A Contractor must identify any information in its proposal it deems confidential and explain in detail how it determined such information to be confidential. Validly confidential information will be treated as such in accordance with applicable law.

Note: Contractors should not submit technical information that it contends is a trade secret of the Contractor. USAC will not be responsible for any loss or damage that respondent may sustain as a result of inadvertent disclosure by them of such trade secrets contained in a proposal. USAC does not consider pricing information to be technical information. Pricing information shall be provided under separate cover from the technical proposal.

- Any exceptions to the requirements stated in the RFP must be clearly stated on a separate sheet entitled "Exceptions."
- All proposals must be signed by a duly authorized representative of the Contractor.
- **All proposals in response to this RFP must be received by USAC no later than 2:00 p.m. Eastern Time on the date specified in Section 5.1 above. A signed original, four additional complete paper copies and an electronic copy of the proposal in Microsoft Word format on magnetic disk or CD-ROM shall be submitted to USAC.**

Proposals may be modified by written notice received before the time specified for receipt of proposals.

Proposals shall be submitted to:

Universal Service Administrative Company  
Attention: Wayne Scott,  
Vice President - Internal Audit  
2000 L Street, N.W., Suite 200  
Washington, D.C. 20036  
[rfpcont@USAC.org](mailto:rfpcont@USAC.org)

All inquiries regarding the technical requirements of this procurement shall be directed to [rfpcont@USAC.org](mailto:rfpcont@USAC.org)

### **5.3 Contents of Volume I – Technical, Management and Past Performance**

Contractors shall address in their proposals each of the items set forth below. Responses to each item must include the identifier associated with each item. (For example, when responding to the item under Corporate Information, Industry Experience, item 4, please label your response: **B.4**.)

#### **A. Executive Summary**

This section shall summarize all key features of the proposal, including the identification of subcontractors and/or affiliated individuals or firms that respondent proposes to assist

in this engagement. A list of any deviations and exceptions from the requirements contained in this RFP shall be identified in the Executive Summary. Pricing information shall not appear in the Executive Summary.

## **B. Corporate Information**

The proposal shall contain a concise description of the principal business of the Contractor and all subcontractors and/or affiliated individuals or firms proposed to assist on this engagement, and respond to each of the following items. In providing a response, please include the item being addressed with its associated item number and your response below the item.

### ***Industry Experience***

1. Does your firm have experience in government accounting and audits, including specifically in performing compliance attestation audits in accordance with GAS and AICPA. Describe the experience. Provide samples of clients involved.
2. List all matters in the last three years where your firm has performed audits in accordance with GAS. Describe work performed and include the name of the company, contact name, address, email address, and telephone number.
3. Describe whether your firm has the capability of providing investigative support and, if so, at what level. Does your firm have experience in providing investigative support, including audit and computer forensic support, to clients?
4. Does your firm have experience in analyzing common customer service records, bills, tariff documents and reports used in the telecommunications industry? Describe the experience. Provide samples of clients involved.
5. Does your firm have experience with statistical sampling? Describe the experience. Provide samples of clients involved.
6. Does your firm have experience with information and telecommunications technology? Describe the experience. Provide samples of clients involved.
7. Does your firm have experience in the areas relating to one or more of the Support Mechanisms? Describe the experience. Provide samples of clients involved.
8. Define how your level of industry expertise would impact compliance attestation audit hours and what result this would have on the resulting audit and fees.
9. Describe your firm's plan for performing the large number of audits contemplated by this RFP. What level of resources will be devoted? How does your firm anticipate the audit program to be ramped up, and over what period of time?
10. Explain your procedures for preserving confidentiality when you have two or more clients competing in the same industry. See also Special Provisions Regarding Conflicts of Interest set forth below.

### ***Industry Quality Control, Peer Review, Litigation***

11. Does your firm have established internal quality control procedures? Describe these.

12. Does your firm have a peer review procedure? What were the results of the latest peer review performed on your firm? Which firm conducted your latest peer review? Supply your responses to the findings and recommendations.
13. Is your firm involved in litigation or disciplinary action initiated by the AICPA, SEC or regulatory entities or clients as a result of your firm's work?
14. The proposal shall identify any current or threatened litigation or other proceeding, including bankruptcy and related matters, in any judicial court or administrative agency in any jurisdiction, as well as any matter currently in, or expected to be in, arbitration, mediation, or other form of dispute resolution, the resolution of which could materially affect Contractor's financial strength or ability to perform the duties set forth in this RFP, and shall provide a summary description of the liabilities Contractor anticipates may occur as a result of such proceedings.
15. Does your firm have an independence verification process? If so, please describe/explain and state the average time it takes to clear an auditee for acceptance.

### ***Engagement Management***

16. Will your firm's personnel assigned to this engagement have expertise in performing performance audits and compliance attestation audits in accordance with GAS and AICPA? Will your firm's personnel assigned to this engagement have expertise in providing auditing services in the areas relating to one or more of the Support Mechanisms? Describe the professional expertise, professional certifications, and academic backgrounds of the staff members who will be assigned to this engagement, and describe the benefits this experience will provide to USAC.
17. Will your firm's personnel assigned to this engagement have expertise in providing investigative support, including audit, telecommunications and computer forensic support?
18. Does your firm have access to professionals with appropriate language fluency, particularly Spanish-speaking personnel? Please explain.
19. Please identify the office locations that will service this engagement.
20. Will your firm's personnel assigned to this engagement have experience with statistical sampling? Describe the extent and nature of this experience.
21. Will your firm's personnel assigned to this engagement have experience with information and telecommunications technology? Describe the extent and nature of this experience.
22. Does your firm utilize expert systems or mainframe/PC audit software? Describe. Describe the level of support and assistance you expect from USAC in developing information, preparing schedules, or supporting computer-aided review effort.
23. Please indicate those personnel, by name if possible (or positions), that are considered key to the effort and will be listed as such in the proposal. For each of



these individuals, please provide a one-page resume that includes their educational background, job experience, and a list of specific efforts they have supported and references. If Contractor, at time of proposal and prior to the award of the contract, has information that any such key personnel anticipate terminating his or her employment or affiliation with Contractor, Contractor shall identify such personnel and include the expected termination date in the proposal. For those key positions that Contractor anticipates filling after submission of the proposal, after the award of the contract or during the period of the contract, Contractor shall provide the minimum educational background and job experience that will be acceptable.

24. Discuss your firm's policies and procedures for resolving engagement issues.
25. Submit the proposed form of engagement letter, which shall be consistent with the terms set forth in this RFP.

### **C. Special Notice Regarding Conflicts of Interest**

Contractor shall identify any conflicts or potential conflicts and the means by which the firm will address those conflicts. Contractor shall include detailed information regarding: (a) any affiliation with telecommunications service provider(s) or beneficiaries of, or other organizations that participate in any Support Mechanism or contribute to the USF; and (b) percent of revenues received from, and debt held by, telecommunications service provider(s) or beneficiaries of; or other organizations that participate in any Support Mechanism or contribute to the USF. Contractor shall also comply with the confidentiality and conflicts of interest provisions including the conflict of interest disclosure, set forth in this RFP.

### **D. Technical and Management Proposal Details**

Contractor shall prepare a detailed response to the Statement of Work set forth above. No particular format is required, but the Contractor must clearly state how it will comply with the stated requirements and provide detailed information about how it will fulfill the requirements of the RFP.

Appendix A to this RFP specifies the number of companies to be audited in each state and the amount of Rural Health Care Support Mechanism benefits each company received. Such audits shall be conducted in accordance with the requirements stated in Section 3.2 of this RFP. Contractors should include in their proposal a plan on how each company will be audited given their location and amount of benefits received.

Technical proposals that merely repeat the requirements set forth in the RFP and state that Contractor will perform the statement of work" or similar verbiage will be considered non-responsive and will not receive further consideration. USAC is interested only in proposals that demonstrate the Contractor's expertise in performing engagements of this type as illustrated by the respondent's description of how it proposes to perform the requirements set forth in this RFP.

If any subcontractors or affiliated individuals or firms are proposed to perform any required tasks, the information specified in the section entitled **Corporate Information**, above, shall be provided with respect to each such subcontractor or affiliated individual

or firm. The proposal shall specifically identify the tasks that each subcontractor or affiliated firm is proposed to perform.

## **5.4 Contents of Volume II – Pricing**

Contractors shall provide a pricing proposal for the services requested in this RFP as Volume II of their response. When developing a pricing proposal, Contractors must use the Proposal Pricing Requirements set forth in Section 1 of this RFP. Pricing must be valid and offered for acceptance by USAC for a period of 180 days from the date the RFP is issued.

**Initial task orders will be issued on a time and materials basis. Contractors shall include an estimated average not-to-exceed price per audit by each of the Approximate Total Amount of Benefits Received (FY 2005) categories listed in Appendix A to this RFP.**

USAC reserves the right to compete and/or issue one or more task orders on a fixed price basis or time and materials not-to-exceed price basis.

Task orders for investigative support services will be awarded separately and priced using labor rates from the Labor Costs Schedule, estimated travel costs and agreed to fixed prices for other direct costs.

Pricing should be structured to discuss labor costs and expenses separately according to the following guidelines:

### ***Labor Costs***

Using the table of labor categories identified in Section 1.1 of this RFP, Contractors shall identify labor rates by labor category anticipated to be used in the performance of described work for all applicable years. (For clarity, Contractors must provide such rates in the form of the table.) Contractors must provide the hourly rates for staffing and fixed price rates for the base contract year and each of the four option years.

### ***Expenses***

All expenses should be identified and categorized by labor, fixed price and ODCs and must confirm to the requirements set forth in Section 1.2 of this RFP. Contractors must provide the hourly rates for staffing and fixed price rates for the base contract year and each of the four option years.

### ***Cost Savings & Discounts***

Contractors should discuss any cost savings they will provide for option years. Contractors should indicate any discounts being offered in their proposals.

## **6. Proposal Evaluation and Award**

### **6.1 Evaluation**

- Evaluation Factors. USAC will award a contract resulting from this solicitation to the responsible Contractor whose offer conforming to the solicitation will be most advantageous to USAC, with price and other factors considered. The following factors shall be used to evaluate offers:

TECHNICAL  
MANAGEMENT  
PAST PERFORMANCE  
PRICE

For this RFP, USAC is concerned with achieving the most advantageous balance between the technical and management features of the proposals and cost. **USAC reserves the right to reject any or all proposals**, and may waive informalities and irregularities in proposals received.

USAC will evaluate offers for award purposes by adding the total price for all options to the total price for the basic requirement. USAC may determine that an offer is unacceptable if the option prices are significantly unbalanced. Evaluation of options shall not obligate USAC to exercise the option(s).

- Binding Commitment/Agreement. A binding agreement/commitment between USAC and Contractor will occur only upon execution by both parties of a written engagement letter.
- Award without Discussion. Awards may be made from initial offers without discussions. In the event discussions are held, USAC may, in its sole discretion, provide the Contractor an opportunity to discuss unfavorable past performance information obtained from references, on which the Contractor had not had a previous opportunity to comment.
- Evaluation of Proposals. USAC will only evaluate proposals that meet all of the proposal submission requirements in this RFP.
- Proposals Should Contain Best and Final Pricing. USAC may award the engagement on the basis of initial proposals. Therefore, each proposal should contain the Contractor's best terms from a cost or price and technical and management proposal standpoint.

## 6.2 Special Provisions Regarding this Procurement

### 6.2.1 Confidentiality

#### *Non-Disclosure Agreement*

Prior to being granted access to the Reading Room, Contractor(s) shall enter into a non-disclosure agreement subject to the provisions stated below in the form designated by USAC. See **Appendix B** for a sample.

#### *Confidentiality Provisions to be Included in the Contract*

The following provisions regarding confidentiality, or provisions substantially similar to the following provisions, shall apply to this engagement and will be included in the contract:

1. Contractor, including all personnel assigned to this contract, including any consultants, subcontractors or other representatives (collectively "Contractor"), are restricted as to use of non-public information concerning any matter relating to the contract work. Such information that is made known to Contractor by

virtue of its work under this contract is deemed confidential and proprietary. (Confidential and proprietary data or information includes non-public information in whatever form maintained, whether documentary, computerized, electronic, oral or otherwise to which Contractor is given access by virtue of its work under the contract and which embodies the types of information that are not or have not been generally known or available from other sources or third parties, without obligation concerning their confidentiality.) Contractor shall preserve all such information in confidence. Any confidential or proprietary information relating to any aspect of this contract may not be discussed or shared, or otherwise exchanged within or outside of Contractor's organization except as authorized by USAC. The Non-Disclosure Agreement attached as **Appendix B** must be executed before the dissemination of any such information to any person. It is understood that these requirements are being procured from Contractor, under the explicit condition that ensures that its employees, subcontractors, consultants, representatives or any other affected individuals obtain prior written approval from USAC to receive confidential/proprietary information and not engage in any discussions or otherwise exchange any information with anyone who has not executed a Non-Disclosure Agreement. The approval process described above applies to anyone who may become associated with the contract effort following award.

2. All reports, information, discussions, procedures, and any other data that are collected or results from the performance of this contract are considered confidential and proprietary information, and may not be disclosed or used outside the performance of this contract without the prior written approval of USAC. In the event Contractor is issued a subpoena, court order, or a similar request seeking information related to this contract, Contractor shall notify the designated contact of USAC and provide such contact with the subject information request within one calendar day of knowledge or receipt of it, whichever is sooner.
3. Contractor shall not discuss the contract work in progress with any outside party, including responding to media and press inquiries, without the prior written permission of USAC. In addition, Contractor shall not issue news releases, promotional materials or similar items regarding contract award, contract modifications, or contract performance without the prior written approval of USAC. Requests to make such disclosure should be addressed in writing to the USAC contacts specified in the contract.
4. All working papers, documents, photocopies, computer data and any other information of any kind collected, generated or received by Contractor in connection with the contract work shall be provided to USAC in a format and on media as specified by USAC upon termination of the contract or as otherwise requested by USAC.
5. The prohibition on disclosure of the information described above is an ongoing obligation and does not terminate with completion of the contract work or upon termination of employment or other association with Contractor.

### **6.2.2 Conflict of Interest**

The following provisions regarding conflicts of interest, or provisions substantially similar to the following provisions, shall apply to this engagement and will be included in the engagement letter:

1. Contractor and any of its personnel assigned to this contract, including any consultants, subcontractors or other representatives (collectively “Contractor”), are committed to providing high quality service that is free from bias, personal and organizational conflicts of interest, the appearance of such, and unprofessional conduct. During the period of contract performance, Contractor shall refrain from providing services to any person or entity with respect to any matter directly involving the subject matter of the contract, except as disclosed and approved in advance and in writing by USAC. Contractor shall not provide services to any person or entity with respect to any matter indirectly relating to the subject matter of this contract without first providing a detailed written explanation of the proposed services to be rendered and obtaining the written consent of USAC in connection therewith. Contractor further agrees that for a period of six months following the termination date of the contract, it will not perform services for any individual or entity that may raise an actual or potential conflict of interest, including circumstances that may raise the appearance of such, with respect to work performed under the contract without first obtaining written consent of USAC. Such representation, however, does not relieve Contractor of its confidentiality responsibilities specified in the contract. These provisions apply to all Contractor personnel, subcontractors, consultants, representatives and any other individuals who have been engaged to perform any aspect of the contract work or who have been given access to any confidential or proprietary data as provided in the contract.
2. During and after the period of contract performance, Contractor agrees that it will not dispute the validity of, nor take positions inconsistent with, the work product generated under the contract. This provision applies to all Contractor personnel, subcontractors, consultants, representatives and any other individuals who have been engaged to perform any aspect of the contract work or who have been given access to any confidential/proprietary information as provided in the contract.
3. To the extent that a contractor has a client(s), membership, financial and/or any other material affiliation with entities that participate in, are affiliated with or are related to the USF and/or the Support Mechanisms, in any respect (including but not limited to receiving universal service support, contributing to the USF, or advocating policy positions on matters related to the USF and/or the Support Mechanisms), there may be actual, potential and/or apparent conflict(s) of interest associated with serving as a contractor under this contract(s). Accordingly, Contractor shall submit the following information with its proposal
  - a. Name address and telephone number of any client of Contractor, and a description of the services rendered, if, since 1998, services were rendered to such client, public or private, relating directly or indirectly

to the subject matter of the services to be provided under the instant contract.

- b. As further provided in below, Contractor shall promptly report to USAC and the FCC OIG any changes to this list which may arise during the course of contract performance.
  - c. Description of any policy advocacy in a public forum by or on behalf of Contractor that relates in any way to the Support Mechanisms, including but not limited to comments, ex parte presentations, or other advocacy before or related to the FCC.
4. Contractor has made inquiry and certifies that to the best of its knowledge and belief, no actual or potential conflict of interest; or the appearance of such exists with respect to the services to be provided in connection with the contract or that any such situation that does or may exist has been communicated in writing to USAC. Contractor recognizes that the failure to mitigate or otherwise resolve any reported actual or potential conflicts/appearance issues to the satisfaction of USAC may render it ineligible for award or, if necessary, subject to contract termination.
5. Contractor agrees that if after award of the contract, it discovers a pre-award actual or potential conflict of interest; including an issue that may present the appearance of such, or if a new conflict issue arises, it shall make immediate and full disclosure in writing to USAC the nature of the conflict/appearance issue (in sufficient detail to determine whether or not a conflict exists) and the action which Contractor has taken or proposes to take to eliminate neutralize, or mitigate the conflict/appearance issue. In considering such submission, USAC may terminate the contract in whole or in part if Contractor was aware of a potential or actual conflict of interest or the appearance of such prior to award of this contract or discovered such a situation after award and did not disclose or misrepresented relevant information, USAC may take whatever action it deemed appropriate, including termination and any other available remedies.

### **6.2.3 Termination**

USAC may, at its option and sole discretion, terminate any task order or contract awarded pursuant to this RFP for convenience. In such event, Contractor(s) will receive payment of reasonable allowable and allocable costs for: (1) services rendered on or before the effective date of the termination, (2) mutually agreed upon material or other direct costs incurred prior to the termination date; and (3) costs incurred after the termination date with the specific advance written approval of USAC.

Under a largely labor hours contract such as this, if a termination is issued, the majority of recoverable costs would relate to hours substantiated and worked prior to the termination effective date, either for work not yet invoiced or for work invoiced but not yet paid. As noted above, it is contemplated, however, that Contractor(s) will be directed to complete task orders awarded to it prior to the termination. Unless specified otherwise in the termination notice, Contractor(s) is expected to continue performing outstanding

task orders until completed. Such work will be compensated in accordance with labor rates specified in the contract.

USAC may also terminate this contract for breach by Contractor.

The following provision regarding termination shall be included in the contract:

#### **TERMINATION**

- (a) USAC may, at its sole option and discretion, terminate performance of work under a task order or this contract in whole or in part, for its convenience or for breach by Contractor.
- (b) USAC may terminate the contract by delivering to Contractor a Notice of Termination specifying that it is a termination for convenience or breach, the extent of the termination, and the effective date.
- (c) After receipt of a Notice of Termination, and except as directed by USAC Contractor shall immediately proceed with the following obligations, regardless of any delay in determining or adjusting any amounts due under this clause:
  - (1) Stop work as specified in the notice;
  - (2) Place no further subcontract or similar orders;
  - (3) Terminate all subcontracts to the extent they relate to the work terminated;
  - (4) Complete performance of the work not terminated (if any); and
  - (5) Take any action that may be necessary, or that USAC may direct, for the protection and preservation of property related to this contract that is in the possession of Contractor and in which USAC has or may acquire an interest: (e.g., work papers; electronically stored data, etc.).
- (d) After termination and if such termination is made by USAC for convenience, Contractor shall submit a final termination settlement proposal to USAC for USAC's reasonable consideration. USAC will have no obligation to accept any settlement proposal in whole or in part.

Contractor shall submit the proposal promptly, but no later than one year from the effective date of termination, unless extended in writing by USAC upon the written request of Contractor within this one-year period. At the sole discretion of USAC a termination settlement proposal may be received and acted on after one year or any extension. If Contractor fails to submit the proposal within the time allowed, USAC may determine, on the basis of information available, the amount, if any, due Contractor because of the termination and shall pay the amount determined.
- (e) If Contractor is to receive a payment from USAC related to a termination for convenience, USAC shall determine, on the basis of information available, the amount, if any, due Contractor and shall pay the amount

determined as follows: (i) an amount for direct labor hours (as defined in the Rate Schedule of the contract) determined by multiplying the number of direct labor hours expended before the effective date of termination by the hourly rates, less any payments already made to Contractor; (ii) an amount for material expenses, if any, incurred before the effective date of termination, not previously paid to Contractor; and (iii) an amount for labor and material expenses computed as if the expenses were incurred before the effective date of termination, if they are reasonably incurred after the effective date with the advance, written approval of USAC; however, Contractor shall discontinue these expenses as rapidly as practicable.

- (f) In arriving at the amount due to Contractor under this clause, there shall be deducted:
  - (1) All unliquidated advances or other payments to Contractor, under the terminated portion of this contract;
  - (2) Any claim USAC may have against Contractor under this contract; and
  - (3) The agreed price for, or the proceeds of sale of materials, supplies, or other things acquired by Contractor or sold under this clause and not recovered by or credited to USAC.
- (h) If the termination is of a task order or a partial termination of the contract, Contractor may file with USAC a proposal for an equitable adjustment of the price(s) for the continued portions of the contract. USAC shall make any reasonable equitable adjustment agreed upon in writing by USAC and the Contractor. Any proposal by Contractor for an equitable adjustment under this clause shall be requested within 90 days from the effective date of termination, unless extended in writing by USAC.

#### **6.2.4 Revision**

The contract entered into between USAC and the contractor may be modified upon the request of USAC and/or the FCC OIG in their sole discretion.



## Appendix A – Companies to be Audited

State	Number of Companies	Approximate Total Amount of USF Contribution Base Revenue (CY 2005)
AK	1	\$0
AL	4	one less than \$1million but more than \$400 thousand one less than \$1million but more than \$200 thousand one less than \$1million but more than \$200 thousand one less than \$1million but more than \$600 thousand
AR	2  possibly one additional company	one less than \$30 million but more than \$10 million one less than \$10 million but more than \$3 million one less than \$5 million but more than \$600 thousand
CA	3  possibly three additional companies	one less than \$1million but more than \$300 thousand \$0 \$0 one less than \$20 million but more than \$13 million one less than \$5 million but more than \$2 million one less than \$500 thousand but more than \$200 thousand
CO	1	one less than \$5 million but more than \$1 million
CT	4  Possibly one additional company	one less than \$500 million but more than \$100 million one less than \$15 thousand but more than \$6 thousand one less than \$10 thousand but more than \$6 thousand one less than \$5million but more than \$1million one less than \$5 million but more than \$2 million

## Appendix A – Companies to be Audited

State	Number of Companies	Approximate Total Amount of USF Contribution Base Revenue (CY 2005)
FL	5  possibly four additional companies	one less than \$5 million but more than \$1 million one less than \$1million but more than \$300 thousand one less than \$0 one less than \$1 hundred but more than \$12 \$0 one less than \$100 thousand but more than \$50 thousand one less than \$5 million but more than \$1 million \$0 \$0
IA	5	one less than \$1 million but more than \$100 thousand one less than \$1million but more than \$100 thousand one less than \$500 thousand but more than \$75 thousand one less than \$1 million but more than \$100 thousand one less than \$100 thousand but more than \$40 thousand
IL	6  Possibly one additional company	one less than \$5 million but more than \$1 million one less than \$1million but more than \$80 thousand one less than \$5 million but more than \$3 million one less than \$5million but more than \$1 million one less than \$1 million but more than \$50 thousand one less than \$15 million but more than \$9 million one less than \$1 million but more than \$300 thousand
IN	1	one less than \$50 thousand but more than \$30 thousand
KS	1	one less than \$5 million but more than \$700 thousand

## Appendix A – Companies to be Audited

State	Number of Companies	Approximate Total Amount of USF Contribution Base Revenue (CY 2005)
LA	2  possibly one additional company	one less than \$1 million but more than \$400 thousand one less than \$1 thousand but more than \$1 hundred one less than \$500 thousand but more than \$100 thousand
MA	1	one less than \$10 thousand but more than \$3 thousand
MN	4  possibly two additional company	one less than \$30 thousand but more than \$10 thousand one less than \$1 million but more than \$300 thousand one less than \$1 million but more than \$800 thousand one less than \$5 thousand but more than \$9 hundred one less than \$100 thousand but more than \$60 thousand one less than \$500 thousand but more than \$200 thousand
MO	4	\$0 one less than \$1 million but more than \$200 thousand one less than \$1 million but more than \$200 thousand \$0
MS	1	one less than \$1 million but more than \$300 thousand
MT	2	one less than \$5 million but more than \$2 million one less than \$1 million but more than \$200 thousand
NC	2	one less than \$1 million but more than \$500 thousand \$0
ND	1	one less than \$5 million but more than \$1 million
NE	2	one less than \$500 thousand but more than \$98 thousand one less than \$5 thousand but more than \$1 thousand

## Appendix A – Companies to be Audited

State	Number of Companies	Approximate Total Amount of USF Contribution Base Revenue (CY 2005)
NJ	1	one less than \$15 million but more than \$7 million
NM	1	one less than \$500 thousand but more than \$100 thousand
NV	1	one less than \$5 million but more than \$1 million
NY	9         Possibly one additional company	one less than \$500 thousand but more than \$80 thousand one less than \$5 thousand but more than \$9 hundred one less than \$5 million but more than \$1 million one less than \$500 million but more than \$100 million one less than \$1 million but more than \$300 thousand one less than \$5 million but more than \$700 thousand one less than \$500 thousand but more than \$70 thousand \$0 one less than \$500 thousand but more than \$90 thousand one less than \$5 million but more than \$1 million
OH	3	one less than \$1 million but more than \$400 thousand one less than \$50 million but more than \$30 million \$0
OR	1	\$0
OK	1  possibly one additional company	\$0 one less than \$10 thousand but more than \$5 thousand

## Appendix A – Companies to be Audited

State	Number of Companies	Approximate Total Amount of USF Contribution Base Revenue (CY 2005)
PA	4  Possibly one additional company	\$0 one less than \$100 thousand but more than \$50 thousand one less than \$5 million but more than \$2 million one less than \$15 million but more than \$7 million one less than \$1 million but more than \$300 thousand
SC	2  possibly one additional company	one less than \$5 million but more than \$800 thousand one less than \$10 million but more than \$4 million \$0
SD	1	one less than \$1million but more than \$100 thousand
TN	2	one less than \$1million but more than \$500 thousand \$0
TX	7  Possibly four additional companies	\$0 \$0 one less than \$50 thousand but more than \$20 thousand \$0 one less than \$5 million but more than \$1 million one less than \$1 million but more than \$500 thousand one less than \$100 thousand but more than \$70 thousand one less than \$10 million but more than \$5 million one less than \$25 thousand but more than \$15 thousand one less than \$20 million but more than \$13 million one less than \$500 thousand but more than \$200 thousand
UT	1	one less than \$5 million but more than \$80 thousand

**APPENDIX B**  
**SAMPLE NON-DISCLOSURE AGREEMENT**

*Non-Disclosure Agreement*

This Agreement is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, by and between \_\_\_\_\_, with offices at \_\_\_\_\_  
\_\_\_\_\_ (“Recipient”) and the Universal Service Administrative Company, with offices at 2000 L St., NW, Suite 200, Washington DC 20036 (“Owner”).

WHEREAS, in connection with discussions concerning a possible business relationship (the “Potential Transaction”) between the parties, it is necessary and desirable for Owner to disclose to Recipient certain Confidential Information of Owner;

NOW, THEREFORE, in consideration of the receipt of certain Confidential Information and the mutual promises made herein, the parties agree as follows:

1. For purposes of this Agreement, Confidential Information shall mean all information, data, reports, analyses, configurations, specifications, techniques, records, and other materials (in whatever form maintained, whether documentary, computerized, electronic, oral or otherwise) that contain or otherwise reflect information concerning the Owner or its business or technology systems that is provided to Recipient in connection with evaluating the Potential Transaction, including but not limited to (a) information relating to the procedures for administering the universal service support mechanisms (including but not limited to billing systems, program operations, policies and procedures, and analytical tools), (b) information relating to internal Company matters (including but not limited to personnel matters and financial information), (c) information concerning or relating to entities that contribute to or participate in the universal service support mechanisms, or otherwise provide information to or have business dealings with Owner (including but not limited to telecommunications carriers, schools, libraries, rural health care companies, and service providers), (d) technical data and information provided to Recipient by or on behalf of Owner (including but not limited to computer programs and software), and (e) any other information relating to Owner or its business or technology systems that is furnished or made available or otherwise disclosed to Recipient in the course of evaluating the Potential Transaction.
2. The restrictions on Recipient’s use and disclosure of Confidential Information set forth in this Agreement shall not apply to any Confidential Information which Recipient can demonstrate: (a) is already in the public domain at the time of disclosure by Owner to Recipient or later becomes available to the public through no breach of this Agreement by Recipient or any of its representatives, (b) is lawfully in Recipient’s possession, without an obligation of confidentiality, prior to receipt hereunder, as evidenced by written records of Recipient, or (c) is received independently by Recipient from a third party who was free to lawfully disclose such information to Recipient without restriction of confidentiality.

3. Recipient acknowledges that Confidential Information is valuable proprietary information of Owner. Recipient shall not use any Confidential Information except in the course of evaluating the Potential Transaction. Recipient shall limit access to Confidential Information to those employees and consultants who reasonably require access to such information in order to evaluate the Potential Transaction. Recipient shall use all reasonable efforts to ensure that employees and consultants who are given access to Confidential Information comply with the terms of this Agreement. Recipient shall not, without the written consent of Owner, disclose, authorize, or assist anyone else to disclose or make known for its or another's benefit any Confidential Information to any other person or entity.
4. In the event that Recipient or anyone to whom it transmits Confidential Information pursuant to this Agreement becomes legally required to disclose any Confidential Information, Recipient shall provide Owner with prompt notice so that Owner may seek a protective order or other appropriate remedy.
5. Within three business days of a written request by Owner, Recipient shall return all Confidential Information, and all copies, reproductions, or electronic versions thereof, that are in its possession; provided that Recipient shall have the option to destroy Confidential Information, and any copies, reproductions, or electronic versions thereof, in its possession with the written consent of Owner. Upon request by Owner, an officer or other appropriate representative of Recipient shall provide a certificate, which shall confirm that the foregoing has taken place.
6. Recipient acknowledges that a breach or threatened breach of any of the terms and/or conditions set forth in this Agreement will cause irreparable harm to Owner. Accordingly, Recipient agrees that Owner shall in addition to any other remedies available to Owner at law or in equity be entitled to injunctive relief to enforce the terms of this Agreement.
7. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the District of Columbia, without giving effect to the conflict of law principles thereof. Any legal action or proceeding with respect to this Agreement may be brought in the courts of the District of Columbia or of the United States of America located in the District of Columbia. Each of the parties hereto accepts the jurisdiction of such courts and irrevocably consents to the service of process of any of such courts in any such legal action or proceeding.
8. In the event Recipient breaches this Agreement, Recipient shall pay all of Owner's costs and expenses incurred in enforcing this Agreement, including legal fees and expenses. Recipient agrees to defend, indemnify, and hold harmless Owner, and its officers, agents and employees, from any and all claims, suits, demands, awards and judgments resulting from any disclosure of information by Recipient or by Recipient's agents or employees to any third party in violation of the terms of this Agreement.

9. Recipient's obligations under this Agreement shall survive termination of the evaluation of the Potential Transaction.
10. This Agreement does not obligate the parties to enter into any further agreement or to consummate any transaction, including without limitation the Potential Transaction.
11. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No waiver, alteration, or modification of this Agreement shall be binding unless in writing and signed by an authorized representative of each party. Each provision of this Agreement shall be considered separable and if for any reason any provision is determined to be invalid or contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions that are valid. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The rights and obligations of Owner under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Owner. Recipient shall not assign its rights or obligations under this Agreement.
12. All notices, requests, and consents under this Agreement shall be in writing, shall be addressed to the receiving party's address set forth above or to such other address as a party may designate by notice hereunder, and shall be either (a) delivered by hand, (b) made by facsimile transmission, with written confirmation of receipt (c) sent by overnight courier, or (d) sent by registered mail, return receipt requested.

The parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year set forth above.

RECIPIENT

USAC (OWNER)

By: \_\_\_\_\_

By: \_\_\_\_\_

Print: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_