

Administrative Procedures

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

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

Background

The Commission has designated USAC as the permanent administrator of the federal universal service programs.³ Administration of the Schools and Libraries program is the responsibility of USAC and its Schools and Libraries Division (SLD)⁴ under the oversight of the Schools and Libraries Committee⁵ of the USAC Board of Directors. The Commission tasked the USAC Schools and Libraries Committee with making the following types of decisions in accordance with Commission rules and oversight:

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

USAC is responsible for “administering the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”⁷ Thus, in order to administer the support

¹ See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd 15808, (2004) (*Schools and Libraries Fifth Order*).

² *Id.* at 15835, para. 80.

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

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

⁵ 47 C.F.R. § 54.701(b)(1) (directing USAC’s Board of Directors to establish the Schools and Libraries Committee).

⁶ *Changes to the Board of Directors of the National Exchange Carrier Association et al.*, Third Report and Order and Fourth Order on Reconsideration in CC Docket Nos. 97-21, *et al.*, 13 FCC Rcd 25058, 25075, para. 31 (1998) (*Third Report and Order and Fourth Order on Reconsideration*).

⁷ 47 C.F.R. § 54.701(a).

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mechanisms effectively and efficiently, Commission rules indicate that USAC must design and implement operating procedures. Such procedures designed by USAC have been in place since the inception of the Schools and Libraries program. The Commission has recognized that it has “vested in the Schools and Libraries Committee and SLD the responsibility for administering the application process for the universal service support mechanism for eligible schools and libraries.”⁸ Pursuant to this responsibility, USAC reviews all applications and invoices according to detailed Program Integrity Assurance (PIA) review and other applicable procedures to ensure that USAC’s decisions are in compliance with Commission regulations, orders, appeal decisions, and guidance. PIA procedures are reviewed and updated annually (and also as needed), with Wireline Competition Bureau (WCB) oversight and guidance. Any party aggrieved by a USAC action can appeal that action to USAC or to the Commission.⁹

⁸ See e.g., *Request for Review of the Decision of the Universal Service Administrator by Project Interconnect, et al.*, CC Docket Nos. 96-45, *et al.*, Order, 16 FCC Rcd 13655, 13658–59, paras.8-9 (2001) (*Project Interconnect Order*).
⁹ 47 C.F.R. § 54.719.

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Appeals to the Administrator

Administrative Procedure:

Standard of review for appeals by the Administrator.

Further Detail:

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

1. When the appeal makes clear that USAC erred in its initial review. During the appeal review process, USAC will verify that the original review was performed in compliance with program requirements and that the correct decision was achieved. If USAC made an error during the original review of an application, USAC will correct the error.

2. When the applicant provides USAC with information and/or documentation it did not provide when the original request was made.

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

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

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

3. When USAC obtains policy clarification or new policies impact the original decision. If FCC issues a policy clarification or adopts a new policy that would affect USAC's original decision, applicants who submitted a timely appeal may be given the benefit of the new or modified policy(ies). USAC can grant an appeal request assuming no other issues are identified during the appeal review that would lead to a denial

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decision. If, on appeal, the basis for a funding denial decision is successfully refuted, USAC must examine all remaining aspects of the funding request to ensure that all program rules were met. If funding commitment was denied because of multiple reasons and only one denial reason was appealed, USAC will contact the appellant and inquire if the appellant wishes to appeal all of the denial reasons. If another ground for denial is not appealed or the appellant unsuccessfully challenges USAC's original decision, the appeal will be denied. All funding request denial reasons must be overcome on appeal for USAC to fund the Funding Request Number(s) (FRN(s)).

All appeals that do not require a waiver of FCC rules, regulations, or deadlines must be submitted to USAC first.¹⁰ These appeals may include, for example, appeals of denied or reduced funding decisions, denied invoice deadline extensions, denied SPIN Changes, recovery actions, etc. If a party erroneously files an appeal with the Commission, the appeal will be remanded to USAC for adjudication. If USAC denies the appeal, the party may then file an appeal with the Commission.¹¹ All waiver requests must be filed with the Commission as USAC does not have authority to waive FCC rules.¹²

Rules that this furthers:

1. 47 C.F.R. § 54.719(a) provides that “[a]ny person aggrieved by an action taken by the Administrator ... must first seek review from the Administrator.” As well as Order FCC 14-99 (2014)(*E-rate Modernization Order*).
2. 47 C.F.R. § 54.719(c) provides that “[p]arties seeking waivers of the Commission’s rules shall seek relief directly from the Commission.”
3. 47 C.F.R. § 54.500 *et seq.*, sets forth the Commission’s rules governing the Schools and Libraries program.

How this furthers program integrity:

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

¹⁰ 47 C.F.R. § 54.719(a).

¹¹ 47 C.F.R. § 54.54.719(b).

¹² 47 C.F.R. § 54.719(c).

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Children's Internet Protection Act Compliance

Administrative Procedure:

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

Further Detail:

If the applicant is not CIPA-compliant in the second or later funding year under CIPA, the Service Start Date on the applicant's FCC Form 486 is adjusted to the CIPA compliance date. Before the service start date is adjusted, the applicant will be provided with an opportunity to cure the CIPA violation by providing Public Notice and/or holding a Public Meeting to announce and discuss its Internet Safety Policy to the public.

Rules that this furthers:

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

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

How this furthers program integrity:

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

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Commitment Adjustments and Recovery of Improperly Disbursed Funds

Administrative Procedure:

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

Further Detail:

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

Rules that this furthers:

1. USAC's authority to adjust funding commitments and recover funds is established by the following orders: *Federal-State Joint Board on Universal Service, et al.*, CC Docket Nos. 96-45, *et al.*, Order, FCC 99-291 (1999); *Federal-State Joint Board on Universal Service, et al.*, CC Docket Nos. 96-45, *et al.*, Order, 15 FCC Rcd 22975 (2000); *Federal-State Joint Board on Universal Service, et al.*, CC Docket Nos. 96-45, *et al.*, Order on Reconsideration and Fourth Report and Order, 19 FCC Rcd 15252 (2004) (*Schools and Libraries Fourth Order*); *Schools and Libraries Fifth Order*, 19 FCC Rcd 15808.
2. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Commitment Adjustments and Recovery of Improperly Disbursed Funds

Administrative Procedure:

De Minimis Standard

Further Detail:

In general, USAC does not seek recovery of funds when the cost of seeking repayment is greater than the aggregated repayment amount. This is known as the *De Minimis* rule. However, if the applicant or service provider appeals a recovery action and the appeal is partially approved resulting in the amount to be recovered now falls below the *De Minimis* amount, USAC will continue to seek recovery and the *De Minimis* rule will not apply in this situation.

Rules that this furthers:

1. In the *Schools and Libraries Fifth Order*, the Commission directed USAC not to seek recovery of funds when the administrative costs of seeking recovery exceed the amount of funds to be recovered. *Schools and Libraries Fifth Order*, 19 FCC Rcd at 15819, FCC 04-190, para.35. The Commission also directed USAC to submit information regarding the administrative costs of seeking recovery so that a *de minimis* amount could be established. *Id.* USAC submitted this information to the Commission in January 2005.
2. USAC's authority to adjust funding commitments and recovery funds is established by the following orders: *Federal-State Joint Board on Universal Service, et al.*, CC Docket Nos. 96-45, *et al.*, Order, FCC 99-291 (1999); *Federal-State Joint Board on Universal Service, et al.*, CC Docket Nos. 96-45, *et al.*, Order, 15 FCC Rcd 22975 (2000); *Schools and Libraries Fourth Order*, 19 FCC Rcd 15252.; *Schools and Libraries Fifth Order*, 19 FCC Rcd 15808.
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
4. 47 C.F.R. § 54.708 establishes a *de minimis* exemption for carrier contributions to the Universal Service Fund.

How this furthers program integrity:

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

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Equipment Transfer Request Dismissal

Administrative Procedure:

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.504(a)(1)(iii) and (v) requires applicants certify that the “entities listed in the FCC Form 471 application have secured access to all of the resources... necessary to make effective use of the services purchased” and the “services purchas[ed] at discounts . . . will not be sold, resold, or transferred in consideration for money or any other thing of value...”
2. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Forms Processing

Administrative Procedure:

FCC Form 486 Service Start Date Programmatic Changes

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.507(b) provides that (with the exception of Funding Year 1998), “[a] funding year for purposes of the schools and libraries cap shall be the period July 1 through June 30.”
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to “use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought,” establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant’s request for an extension of the implementation deadline can be granted.
3. 47 C.F.R. § 54.503(c)(4) prohibits applicants from signing contracts with service provider(s) prior to the expiration of the 28-day posting period for the FCC Form 470.
4. 47 C.F.R. § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Forms Processing

Administrative Procedure:

FCC Form 500 Service Start Date Programmatic Changes

Further Detail:

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

Rules that this furthers:

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

How this furthers program integrity:

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

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Invoicing

Administrative Procedure:

Service providers file FCC Form 474, the Service Provider Invoice (SPI) Form when they have provided discounted eligible services and/or equipment and seek reimbursement for the non-discounted portion of costs for the eligible services and/or equipment from USAC. USAC will review the invoice form and disburse payments to the service provider if the invoice form is approved.

Billed entities file FCC Form 472, the Billed Entity Applicant Reimbursement (BEAR) Form, if they have paid the full costs of the eligible services and/or equipment to the service provider and seek reimbursement for the discounted portion of costs for the eligible services and/or equipment from USAC. USAC will review the invoice form and disburse payments to the Billed Entity if the invoice form is approved. Billed entities will receive payment directly from USAC and the payment will not be passed through by the service provider.

Further Detail:

Both service providers and billed entities that want to receive direct reimbursements from USAC must file an FCC Form 498. Service Providers submit the FCC Form 498 to USAC to obtain a Service Provider Identification Number (SPIN). Billed Entities submit the FCC Form 498 to obtain a Billed Entity identification Number. On the FCC Form 498, the service provider or the billed entity indicates their type of entity, and provides certain information including the 499 Filer ID, if applicable, Federal Employer Identification Number, Contact Information and Remittance Information for each federal universal service support mechanism.

For the SPI invoicing method, USAC disburses funds to the service provider associated with each FRN. For the BEAR invoicing method, USAC disburses funds to the billed entity associated with each FRN.

Rules that this furthers:

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

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2. 47 C.F.R. § 54.511(a) provides that “[i]n selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than pre-discount prices submitted by providers but price should be the primary factor considered.”
 3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
 4. Commission rules allow applicants to request SPIN changes after USAC has issued an FCDL when “an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its original service provider, and (2) the applicant has notified its original service provider of its intent to change service providers.” *Request for Review of the Decision of the Universal Service Administrator by Copan Public Schools*, CC Docket Nos. 96-45, *et al.*, Order, 15 FCC Rcd 5498, 5501, para. 6 (2000) (*Copan Order*). In the *Sixth Report and Order*, the Commission clarified this rule and explained that once a contract is signed for goods and services, an applicant may not change the service provider unless: “(1) there is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform) and (2) the newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder.” *Schools and Libraries Universal Service Support Mechanism, et al.*, CC Docket Nos. 02-6, *et al.*, Sixth Report & Order, 25 FCC Rcd 18762, 18802-03, para.91 (2010) (*Sixth Report & Order*).
 5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
 6. Commission rules allow an applicant that pays the full cost of the E-rate supported services to a service provider to receive direct reimbursement from USAC. FCC Order 14-99 (*E-rate Modernization Order*)

How this furthers program integrity:

Ensures that disbursements are made to the service provider that provided the eligible goods and services and that submitted the invoice(s) to USAC or to the billed entity that

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paid for the eligible goods and services in full to the service provider and submitted the invoices to USAC. Allows for an invoicing process that is simpler and clearer. Also ensures the integrity of the competitive bidding process by allowing applicants to change service providers only under specified circumstances.

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Invoicing

Administrative Procedure:

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

Further Detail:

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

1. Delivery of service must be within the allowable number of days of contract expiration date;
2. Necessary Category One installation charges can occur prior to July 1 of the funding year. Installation of Category One non-recurring services can occur and be invoiced from January 1 through June 30 if the following conditions are met:
 - a. The construction begins after selection of the service provider pursuant to a valid posted FCC Form 470,
 - b. A Category One recurring service must depend on the installation of the infrastructure, and
 - c. The actual service start date for the underlying recurring Category One service is on or after July 1 of the funding year.
3. Certain mobilization services will be reimbursed prior to service delivery if contractual recovery mechanisms are in place at the time of the FCC Form 471 filing.
4. Internal Connections (IC) and Managed Internal Broadband Services (MIBS) Installation of Category Two Non-Recurring Services can also occur prior to July 1 of the funding year. Installation of Category Two Non-Recurring Services can occur and be invoiced from April 1 through June 30.

Rules that this furthers:

1. 47 C.F.R. § 54.507(b) provides that (with the exception of Funding Year 1998), “[a] funding year for purposes of the schools and libraries cap shall be the period July 1 through June 30.”
2. 47 C.F.R. § 54.507(d) requires applicants to file funding requests on an annual basis, to “use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought,”

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establishes deadlines for implementation of non-recurring services, and the criteria for USAC to use to determine whether an applicant's request for an extension of the implementation deadline can be granted.

3. Commission rules require that "in limited situations, the infrastructure costs incurred by a telecommunications provider in preparation for the commencement of telecommunications service should be deemed to be recoverable beginning in the year in which the telecommunications service commences." *Request for Review of the Decision of the Universal Service Administrator by Nassau County Board of Cooperative Educational Services, et al., CC Docket Nos. 96-45, et al., Order, 17 FCC Rcd 24584, 24588-89, paras. 1, 7-11 (2002); see also Request for Review of the Decision of the Universal Service Administrator by the Dep't of Education of the State of Tenn., et al., CC Docket Nos. 96-45, et al., Order, 14 FCC Rcd 13734, 13749, para. 29 (1999) (Tennessee Order).*
4. Commission rules permit applicants to seek support for eligible non-recurring category two services purchased on or after April 1, three months prior to the start of funding year on July 1. Order 14-99 (E-rate Modernization Order)

How this furthers program integrity:

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

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Invoicing

Administrative Procedure:

One-time Invoice Extension

Further Detail:

Applicants can receive a one-time 120-day invoice deadline extension upon request.

Rules that this furthers:

1. The Commission allows applicants to request and automatically receive a single one-time 120-day extension of the invoicing deadline. Order FCC 14-99 (*E-rate Modernization Order*).

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Overall

Administrative Procedure:

15-Day Process

Further Detail:

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

Rules that this furthers:

1. The Commission has affirmed USAC's authority to put in place administrative policies to ensure prompt review of applications and prevent the undue delay of the application process. *See e.g., Request for Review by Nicholas County School District et.al.*, CC Docket Nos. 96-45, *et al.*, Order, 17 FCC Rcd 22489, 22491, para. 6 (2002). One such policy is the seven-day policy. *See id.*
2. The Commission directed USAC "to provide all E-rate applicants with an opportunity to cure ministerial and clerical errors on their FCC Form 470 or FCC Form 471, and an additional opportunity to file the required certifications." *Bishop Perry Order*, 21 FCC Rcd at 5366, para. 23. The Commission also directed USAC to provide applicants 15 days "to amend or refile their FCC Form 470, FCC Form 471 or associated certifications." *Id.*

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3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

Alternative Discount Verification – Survey Method

Further Detail:

Applicants may survey their student population as an alternative method for calculating their entity's discount. The survey instrument must contain specific data points to be considered valid, such as name of the family and students, family income-level, and family size. The applicant must also include a statement of the number of students attending the school as their home school and the number of students determined to be eligible for NSLP based on the returned survey forms. Survey results cannot be extrapolated.

Rules that this furthers:

1. 47 C.F.R. § 54.505(b)(1) requires that “the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism.”
2. Federally-approved alternative mechanisms include surveys. *See e.g., Request for Review of the Decision of the Universal Service Administrator by Academia Claret, et al.*, CC Docket No. 02-6, Order, 21 FCC Rcd 10703, 10704, para. 4, n.10 (2006) (citing 34 C.F.R. § 200.78(a)(2)).
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this protects against waste, fraud and abuse:

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

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Program Integrity Assurance

Administrative Procedure:

Community Eligibility Provision (CEP)

Further Detail:

Section 104(a) of the Healthy, Hunger Free Kids Act of 2010 amended Section 11(a)(1) of the Richard B. Russell National School Lunch Act (42 U.S.C. § 1759a(a)(1)) and provided an alternative to household applications for free and reduced price meals in high poverty local educational agencies (LEAs) and schools. This alternative is referred to as the Community Eligibility Provision (CEP).¹³

To be eligible, LEAs and/or schools must: (1) meet a minimum level of identified students for free meals in the year prior to implementing the CEP; (2) agree to serve free lunches and breakfasts to all students; and (3) agree to cover with non-Federal funds the costs of providing free meals to all students above the amounts provided through Federal assistance.¹⁴ Reimbursement is based on claiming percentages derived from the identified student percentages which are students certified for free meals through means other than individual household applications (e.g., students directly certified through the Supplemental Nutrition Assistance Program (SNAP)).¹⁵ The claiming percentages established for a school in the first year are guaranteed for a period of four school years and may be increased if the identified student percentages rise for the LEA and/or school.¹⁶

The law requires the CEP to be phased in over a period of three years, beginning July 1, 2011.¹⁷ The CEP became available nationwide to all eligible LEAs and schools beginning July 1, 2014.¹⁸ The law requires the Department of Agriculture to select States during the phase in period “with an adequate number and variety of schools and LEAs that could benefit from” the CEP.¹⁹

¹³ See United States Department of Agriculture, Food and Nutrition Service, Community Eligible Option, available at http://www.fns.usda.gov/cnd/governance/Policy-Memos/2011/SP23-2011_os.pdf.

¹⁴ See *id.*

¹⁵ See *id.*

¹⁶ See *id.*

¹⁷ See *id.*

¹⁸ See *id.*

¹⁹ See *id.*

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The CEP utilizes a reimbursement rate calculated by determining the percentage of students directly certified times a 1.6 multiplier.²⁰ Beginning with Funding Year 2015, schools and school districts participating in the NSLP Community Eligibility Provision (CEP) will be allowed to calculate their students eligible for NSLP for purposes of E-rate discounts by using the CEP NSLP reimbursement rate. Specifically, schools utilizing the CEP shall calculate their student eligibility for free or reduced priced lunches by multiplying the percentage of directly certified students by the CEP national multiplier of 1.6 to determine the percentage of children eligible for NSLP and use that percentage for determination of school district E-rate discount. Schools participating in the CEP will not be considered to have a greater than 100 percent student eligibility for purposes of determining the district-wide discount rate for E-rate services.

Rules that this furthers:

1. 47 C.F.R. § 54.505(b)(1) requires that “the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a federally-approved alternative mechanism.”
2. Federally-approved alternative mechanisms include surveys. *See e.g., Request for Review of the Decision of the Universal Service Administrator by Academia Claret, et al.*, CC Docket No. 02-6, Order, 21 FCC Rcd 10703, 10704, para. 4, n.10 (2006) (citing 34 C.F.R. § 200.78(a)(2)).
3. The FCC provided further guidance to USAC on how to implement the USDA’s eligibility program for NSLP into the E-rate Program. The FCC explained that “the E-rate program currently uses USDA’s NSLP eligibility, or a federally approved alternative mechanism, as a proxy for poverty when calculating discounts on services received under the E-rate program.... The CEP, which the USDA is phasing in over several years, provides a new alternative to NSLP household applications for free and reduced price meals in high poverty local educational agencies and schools.” *See* Letter from Trent B. Harkrader, Chief, Telecommunications Access Policy Division, Wireline Competition Bureau to Mel Blackwell, Vice-President, Schools & Libraries Division, USAC (July 31, 2012).
4. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

²⁰ *See id.*

Administrative Procedures

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

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

Further Detail:

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

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

Rules that this furthers:

1. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
2. 47 C.F.R. § 54.507(d) provides that “[t]he deadline for implementation of non-recurring services will be September 30 following the close of the funding year.”
3. 47 C.F.R. § 54.507(d) also provides that USAC can grant extensions of the implementation deadline for non-recurring services if the applicant satisfies the criteria enumerated at 47 C.F.R. § 54.507(d)(1)-(4).

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Cost-Effectiveness Review

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c)(2)(vii) requires the person authorized to submit the FCC Form 470 to certify that “[a]ll bids submitted for eligible goods and services will be carefully considered, with price being the primary factor, and the bid selected will be for the most cost-effective service offering ...”
2. 47 C.F.R. § 54.504(a)(1)(xi) requires the person authorized to submit the FCC Form 471 to certify that “[a]ll bids submitted to a school, library, or consortium seeking eligible services were carefully considered and the most cost-effective bid was selected in accordance with § 54.503 of this subpart, with price being the primary factor considered, and is the most cost-effective means of meeting educational needs and technology plan goals.”
3. 47 C.F.R. § 54.511(a) provides that “[i]n selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”
4. 47 C.F.R. § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

Administrative Procedures

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Contract Signature and Date Requirements

Further Detail:

Applicants are required to have a legally binding agreement (for FY 2003 and earlier and FY 2015 and later) or a signed contract (for FYs 2004 -2014) prior to the FCC Form 471 certification postmark date. If the contract is not signed or dated by the applicant, the applicant will be asked to answer specific questions to confirm that the contract satisfies its state and/or local procurement regulations or rules. Additionally, the applicant will be required to provide the contract award date and supporting documentation for that date. If an applicant states that unsigned and/or undated contracts are considered legal contracts in their state or locality, USAC will request documentation demonstrating that unsigned and/or undated contracts are legally binding contracts in the applicant's state or locality.

Rules that this furthers:

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

To the extent state contract law does not require two signatures and two dates for a valid contract, Commission precedent does not impose such a requirement. We note that in detailing document retention requirements, the Commission required both beneficiaries and service providers to retain executed contracts that are 'signed and dated by both parties.' *Fifth Report & Order, 19 FCC Rcd at 15825, para. 48.* We clarify that this language was not intended to establish a new rule regarding the validity of a contractual agreement. *Id.* at 6024, para. 11, n.29.

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

How this protects against waste, fraud, and abuse:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Duplicative Services

Further Detail:

USAC will not fund Funding Request Number(s) FRN(s) or portions of FRN(s) when USAC determines that the requests contain duplicative services. If duplicative FRNs are determined during the review, applicants will be given an opportunity to cancel the duplicative FRN(s) or modify the service periods for those FRNs so that there is no provision of duplicate services during the same period of time to the same entities/recipients of service within the same funding year.

Rules that this furthers:

1. The Commission requires USAC to deny discounts for duplicative services. *See Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, 18 FCC Rcd 9202, 9209-9210, paras. 22-24 (2003) (*Schools and Libraries Second Order*).
2. The Commission defines “duplicative services” as “services that deliver the same functionality to the same population in the same location during the same period of time.” *Id.* at 18 FCC Rcd 9202, 9209, para. 22.
3. 47 C.F.R. § 54.511(a) requires applicants to “select the most cost-effective service offering.”
4. The Commission found that “it is not cost effective for applicants to seek discounts to fund the delivery of duplicative services. Therefore, we conclude that this rule can be violated by the delivery of services that provide the same functionality for the same population in the same location during the same period of time.” *Schools and Libraries Second Order*, 18 FCC Rcd 9202, 9209-10, para. 24.
5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

Administrative Procedures

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Eligibility of Incidental Costs

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.502(a)(1) and (2) authorize USAC to make disbursements to telecommunications carriers and non-telecommunications carriers for providing supported services to eligible entities.
2. 47 C.F.R. § 54.502(d) requires USAC to “submit by March 30 of each year a draft list of services eligible for support, based on the Commission’s rules, in the following funding year.”
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Entity Included in Posting of FCC Form 470

Further Detail:

The billed entity for which funding is sought on an FCC Form 471 must have been listed as a Recipient of Service on the FCC Form 470 or the Request For Proposal(RFP) that supports the Funding Request Number (FRN).

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires the applicant to seek competitive bids by posting an FCC Form 470 in order to seek discounts on eligible products and services.
2. The Commission requires applicants to “submit a complete description of the services they seek so that it may be posted for competing service providers to evaluate.” *Universal Service Order*, 12 FCC Rcd at 9076, para. 570. The Commission further requires “the application to describe the services that the schools and libraries seek to purchase in sufficient detail to enable potential providers to formulate bids.” *Id.* at 9078, para. 575.
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

FCC Form 470 Posting Requirements

Further Detail:

For FCC Forms 470 posted in FYs 2005 through 2010, applicants may continue with a multi-year term or voluntarily extend a contract without posting a new FCC Form 470 if:

- The applicable FCC Form 470 or Request for Proposals (RFP) that initiated the procurement process (resulting in the contract) indicated that the applicant sought to enter into a multi-year contract with voluntary extensions AND
- The original contract included a provision for a multi-year contract term or voluntary extensions.

For FCC Forms 470 posted in FY 2004 and earlier funding years or in FY 2011 and later, contract extensions can be optionally noted on the establishing FCC Form 470 and/or RFP, but it is not required. However, the original contract must include a provision for a multi-year contract term or voluntary extensions.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”
3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
4. 47 C.F.R. § 54.507(e) provides that “[i]f schools and libraries enter into long term contracts for eligible services, the Administrator shall only commit funds to cover

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the *pro rata* portion of such a long term contract scheduled to be delivered during the funding year for which universal service support is sought.”

5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

Generic or Encyclopedic FCC Form 470 Service Description

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires the applicant to seek competitive bids by posting an FCC Form 470 in order to seek discounts.
2. The Commission requires applicants to “submit a complete description of the services they seek so that it may be posted for competing service providers to evaluate.” *Universal Service Order*, 12 FCC Rcd at 9076, para. 570. The Commission further requires “the application to describe the services that the schools and libraries seek to purchase in sufficient detail to enable potential providers to formulate bids.” *Id.* at 9078, para.575.
3. The Commission requires that:

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

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should not post a broad Form 470 and expect bidders to do the “planning” for its technological needs. *Request for Review of the Decision of the Universal Service Administrator by Ysleta Independent School District, et al.*, , CC Docket Nos. 96-45, *et al.*, Order, 18 FCC Rcd 26407, 26419-20, para. 28 (2003) (*Ysleta Order*).

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

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

Long Term Contracts Review

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract or other legally binding agreement for eligible services.
3. 47 C.F.R. § 54.507(d) requires applicants to submit an FCC Form 471 annually, even when the applicant enters into a multi-year contract for goods and services. In that situation, USAC commits funds “to cover the *pro rata* portion of such a long term contract scheduled to be delivered during the funding year for which universal service support is sought.” 47 C.F.R. § 54.507(e).
4. 47 C.F.R. § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

Mixed Bucket Review

Further Detail:

Funding Request Numbers (FRNs) cannot include service from more than one service type. The service types specified on the FCC Form 470 and FCC Form 471 are: Data Transmission and/or Internet Access, Voice Services, Internal Connections, Basic Maintenance of Internal Connections (BMIC), and Managed Internal Broadband Services (MIBS).

Data Transmission and/or Internet Access and Voice services are Category One (C1) services. Internal Connections, Basic Maintenance of Internal Connections and Managed Internal Broadband Services are Category Two (C2) services.

If an FRN contains both Category One and Category Two (C1 and C2) services, the FRN is split into two distinct FRNs. Additionally, in most cases, if a Category One FRN contains more than one Category One service type (e.g., Voice and Data Transmission and/or Internet Access), the FRN is split into two distinct FRNs. However, in most cases, if a Category Two FRN contains more than one Category Two service type (e.g., Internal Connections and BMIC or MIBS and BMIC), no FRN split is needed.

Rules that this furthers:

1. 47 C.F.R. § 54.507(a)(4) provides that “if requests for category one services are greater than available funding, the Administrator shall shift category two funds to provide support for category one services. If available funds are sufficient to meet demand for category one services, the Administrator, at the direction of the Wireline Competition Bureau, shall direct the remaining additional funds to provide support for category two services.” See 47 C.F.R. 54.507(a)(4).
2. “The Commission’s regulations authorize SLD to establish rules and procedures for the administration of the schools and libraries support application process in an efficient and effective manner, including procedures for the review of applications and the implementation of the Commission’s rules of priority. We find that, for the reasons discussed above, SLD’s operating procedure for mixed priority requests was

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a reasonable exercise of its authority.” *In the Matter of Request for Review of Universal Service Administrator’s Decision by East Grand School – SAD #14, et al.*, CC Docket Nos. 96-45, *et al.*, Order, 16 FCC Rcd 19460, 19464, para. 11 (2001).

3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

Non-compliant Auditee

Further Detail:

Applicants and service providers who are found to be non-compliant with FCC rules after undergoing an USAC audit, regardless of whether the applicant or service provider was the auditee, are sent a letter informing them that they will not receive funding commitments for their pending and/or future funding requests until they have adequately addressed the audit findings. If the auditee fails to respond to the auditee letter within the time period provided or fails to adequately address the findings, pending funding requests will be denied.

Rules that this furthers:

1. The Commission requires USAC to administer the program and to engage in “activities to ensure compliance with FCC rules and regulations.”²¹
2. “USAC must address potential rule violations uncovered in an audit regardless of whether the violating entity was the subject of the audit.” *See Request for Review of the Decision of the Universal Service Administrator by Integrity Communications, Ltd.*, CC Docket No. 02-6, Order, 24 FCC Rcd 11186, 11194, para. 18 (2009) (*Integrity Order*).
3. “USAC should not send an audit letter to or hold funding for schools or service providers unless it has evidence and a reasonable basis to believe that the service provider or school is engaged in a violation of the Commission’s rules with respect to that specific school district.” *Integrity Order*, 24 FCC Rcd at 11195, para. 21.
4. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this protects against waste, fraud and abuse:

²¹ *Third Report and Order*, 13 FCC Rcd at 25075, para. 31.

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Request for Proposal (RFP) Posting Requirements

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. The Commission requires as follows: “[t]o the extent that the applicant also relies on an RFP as the basis of its vendor selection, that RFP must also be available to bidders for 28 days.” Ysleta Order, 18 FCC Rcd at 26423-24, para. 39.
3. 47 C.F.R. § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this protects against waste, fraud and abuse:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

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

Further Detail:

Applicants that use a Request for Proposal (RFP) as part of their competitive bidding process must indicate on their FCC Form 470 that an RFP is available. Starting in FY2016, the RFP must also be uploaded to the FCC Form 470 in EPC.

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. The Commission stated as follows: “[w]e direct the Wireline Competition Bureau (WCB) to clarify on a revised FCC Form 470, before the start of Funding Year 2004, that an applicant shall certify either, ‘Yes, I have released or intend to release an RFP for these services’ or ‘No, I have not released and do not intend to release an RFP for these services.’” *Ysleta Order*, 18 FCC Rcd at 26423-24, para. 39.
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this protects against waste, fraud and abuse:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Selective Competitive Bidding Request

Further Detail:

Billed entities undergoing a Selective Review complete a Selective Competitive Bidding Request. The Selective Competitive Bidding Request contains a series of questions about the competitive bidding selection process.

Rules that this furthers:

1. 47 C.F.R. § 54.504(a)(1) requires that the “FCC Form 471 shall be signed by the person authorized to order telecommunications and other supported services for the eligible school, library, or consortium and shall include that person’s certification[s] under oath”
2. 47 C.F.R. § 54.523 provides as follows: “An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services.”
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this protects against waste, fraud and abuse:

Ensures that the billed entity has complied with the competitive bidding rules of the program.

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Selective Review Multi-Tier Bid Evaluation Process

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.511(a) provides that “[i]n selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”
3. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
4. In August 2011, the Commission provided clarification on the use of multi-tier evaluations during the competitive bidding process. The Commission found that such multi-tier evaluation processes were consistent with Commission rules, provided that the applicant uses price as the primary factor in selecting a qualified vendor and that price be weighted the most out of all evaluation criteria that is used in the multi-tier process. *In the Matter of Requests for Review of a Decision of the*

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Universal Service Administrator by Baltimore City School District, et al., CC
Docket No. 02-6, 26 FCC Rcd 11193, at para. 12 (2011).

How this protects against waste, fraud, and abuse:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Split Funding Requests

Further Detail:

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

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than pre-discount process submitted but price should be the primary factor considered.”
3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
4. The Commission allows applicants to request SPIN changes after USAC has issued a Funding Commitment Decision Letter when “an applicant certifies that (1) the SPIN

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

5. The Commission has directed USAC to notify applicants when USAC believes that a funding request contains ineligible services and allow applicants to revise the funding request or to demonstrate that the services are eligible for funding. See *Requests for Review of the Decisions of the Universal Service Administrator by Aiken County Public Schools et al.*, CC Docket 02-6, Order, 22 FCC Rcd 8735, 8740-41, para. 11 (2007).
5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”
6. Procedures that provide for splitting FRNs are not established by Commission rules, but the procedure used is based on informal guidance from the Commission.

How this furthers program integrity:

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

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Program Integrity Assurance

Administrative Procedure:

State Master Contract Procedure

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

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.500 defines a “master contract” as a “contract negotiated with a service provider by a third party, the terms and conditions of which are then made available to an eligible school, library, rural health care provider, or consortium that purchases directly from the service provider.”
2. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
3. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”
4. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

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5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Replacement Master Contract Procedure

Further Detail:

State Master Contracts are contracts which are competitively bid and put in place by an entity of state government for use by others. Billed entities may use a State Master Contract that expires before the start of the funding year for which the billed entity is applying for discounts or that expires during the funding year for which the applicant is applying for discounts if the billed entity is using the FCC Form 470 that is filed by the state to support the Replacement Master Contract. In each situation, the competitive process is underway and has not yet been completed. Billed entities are instructed to use a temporary Service Provider Identification Number (SPIN) on the FCC Form 471 application and to request a SPIN change after the Replacement Master Contract has been signed. Commitments may be made based on the temporary SPIN, but no disbursements will be made until the SPIN is changed to that of the service provider who was awarded the new Replacement Master Contract.

Rules that this furthers:

1. 47 C.F.R. § 54.500 defines a “master contract” as a “contract negotiated with a service provider by a third party, the terms and conditions of which are then made available to an eligible school, library, rural health care provider, or consortium that purchases directly from the service provider.”
2. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
3. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered.”

Administrative Procedures

4. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.

5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Tainted FCC Forms 470

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days.
2. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than pre-discount process submitted but price should be the primary factor considered.”
3. The Commission requires USAC to deny FRNs when any service provider contact information appears on an FCC Form 470 for a service provider that participated in the competitive bidding process initiated by that FCC Form 470. *See MasterMind Order*, 16 FCC Rcd at 4032-33, paras. 9-10.
4. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

Tariff and Month-to-Month Services

Further Detail:

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days.
2. 47 C.F.R. § 54.511(c) establishes a limited exemption from the 28-day competitive bid requirement when applicants have existing contracts as defined by Commission rules.
3. “Services that are covered by a qualified existing contract for all or part of the funding year do not require the filing of an FCC Form 470; a qualified existing contract is a signed contract executed pursuant to the posting of an FCC Form 470 in a previous year.” *Request for Review of the Decision by the Universal Service Administrator by Tomahawk School District, et al.*, CC Docket Nos. 96-45, et al., Order, 16 FCC Rcd 8768, 8770, para. 5 (2001).
4. “Tariff services are telecommunications services purchased at regulated rates for which the applicant does not have a signed, written contract.” *Id.*
5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

Administrative Procedures

Program Integrity Assurance

Administrative Procedure:

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

Further Detail:

USAC verifies the service types for which discounts are sought for each Funding Request Number (FRN) to ensure that on the FCC Form 470 associated with that FRN, the applicant indicated that it was seeking that type of service. The service types specified on the FCC Form 470 and FCC Form 471 are: Category One (Data Transmission and/or Internet Access and Voice Services) and Category Two (Internal Connections, Basic Maintenance of Internal Connections and Managed Internal Broadband Services).

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires the applicant to seek competitive bids by posting an FCC Form 470 in order to seek discounts.
2. 47 C.F.R. § 54.507(f) establishes rules of distribution governing USAC's response to FCC Form 471 applications for discounts. Under these rules, USAC must calculate demand for Category One and Category Two services. *See* 47 C.F.R. § 54.507(f)(1). If the total demand exceeds support available for Category One or both categories, USAC shall first calculate the demand for Category One services for all discount levels. *Id.* USAC will then calculate the demand for Category Two services and shall allocate funding beginning with the most economically disadvantaged schools and libraries. *See id.* at § 54.507(f)(2)
3. The Commission requires applicants to "submit a complete description of the services they seek so that it may be posted for competing service providers to evaluate." *Universal Service Order*, 12 FCC Rcd at 9076, para. 570. The Commission further requires "the application to describe the services that the

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schools and libraries seek to purchase in sufficient detail to enable potential providers to formulate bids.” *Id.* at 9078, para. 575.

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

How this furthers program integrity:

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

Administrative Procedures

Service Substitutions

Administrative Procedure:

Service Substitution Deadline

Further Detail:

Traditional service substitutions must be requested no later than the last date to receive service for the Funding Request Number (FRN) for the service. If an applicant discovers that the products or services delivered are different from those approved on the FCC Form 471, the applicant should file a corrective Service Substitution. There is no deadline for submission of a corrective Service Substitution if the products or services were delivered timely.

Rules that this furthers:

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

How this furthers program integrity:

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

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SPIN Changes

Administrative Procedure:

Global SPIN Change

Further Detail:

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

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

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

Rules that this furthers:

1. 47 C.F.R. § 54.503(c) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than pre-discount prices submitted by providers but price should be the primary factor considered.”
3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
4. Commission rules allows applicants to request SPIN changes after USAC has issued a Funding Commitment Decision Letter when “an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its original service provider, and (2)

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the applicant has notified its original service provider of its intent to change service providers.” *See Copan Order*, 15 FCC Rcd at 5501, para. 6. In the *Sixth Report and Order*, the Commission clarified this rule and explained that once a contract is signed for goods and services, an applicant may not change the service provider unless: “(1) there is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform) and (2) the newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder.” *Sixth Report & Order*, 25 FCC Rcd at 18802-03, at para.91.

5. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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SPIN Changes

Administrative Procedure:

Operational SPIN Change

Further Detail:

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

For FY2015 and earlier funding years, USAC allows applicants to change the service provider(s) associated with a voice or telecommunications services FRN prior to USAC making a funding commitment decision if the original service provider does not provide voice services or telecommunications services on a common carriage basis.

Rules that this furthers:

1. 47 C.F.R. § 54.503(b) requires applicants to seek competitive bids by posting an FCC Form 470 to the USAC website for a minimum of 28 days to initiate the competitive bidding process.
2. 47 C.F.R. § 54.511(a) requires applicants to “carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than pre-discount prices submitted by providers but price should be the primary factor considered.”
3. 47 C.F.R. § 54.504(a) requires applicants to submit an FCC Form 471 to USAC after signing a contract for eligible services.
4. For FY 2010 and earlier funding years, the Commission allows applicants to request SPIN changes after USAC has issued a Funding Commitment Decision Letter when “an applicant certifies that (1) the SPIN change is allowed under its state and local procurement rules and under the terms of the contract between the applicant and its

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original service provider, and (2) the applicant has notified its original service provider of its intent to change service providers.” *See Copan Order*, 15 FCC Rcd at 5501, para. 6. For FY 2011 and future funding years, Operational SPIN changes are permissible after a competitive bidding process under the following circumstances:

- a) There is a legitimate reason to change providers (e.g., breach of contract or the service provider is unable to perform the requested service); and
 - b) The newly selected service provider received the next highest point value in the original bid evaluation, assuming there was more than one bidder. *See Sixth Report and Order*, 25 FCC Rcd at 18802-03, para. 91.
 - c) A cheaper price does not qualify as a legitimate reason to change service providers.
5. The Commission has directed USAC to allow applicants to change the service provider(s) associated with a telecommunications services or Internet access FRN prior to USAC making a funding commitment decision if the service provider originally specified on the FCC Form 471 does not provide telecommunications services or Internet access on a common carriage basis. *See Request for Review of Decisions of the Universal Service Administrator by Brewster Academy, et al.*, CC Docket No. 02-6, Order, 22 FCC Rcd 9185, 9188-90, paras. 8, 11 (2007).
6. 47 C.F.R § 54.701(a) requires USAC to “administer[] the universal service support mechanisms in an efficient, effective, and competitively neutral manner.”

How this furthers program integrity:

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

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SPIN Changes

Administrative Procedure:

Operational SPIN Change Deadline

Further Detail:

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

Rules that this furthers:

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

How this furthers program integrity:

Efficient administration of the program reduces operating costs.