

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of:

Comprehensive Review of Universal Service)	WC Docket No. 05-195
Fund Management, Administration and)	
Oversight)	
)	
Federal-State Joint Board on Universal)	CC Docket No. 96-45
Service)	
)	
Schools and Libraries Universal Service)	CC Docket No. 02-6
Support Mechanism)	
)	
Rural Health Care Support Mechanism)	WC Docket No. 02-60
)	
Lifeline and Link-Up)	WC Docket No. 03-109
)	
Changes to the Board of Directors for the)	CC Docket No. 97-21
National Exchange Carrier Association, Inc.)	

**COMMENTS OF THE AMERICAN LIBRARY ASSOCIATION
IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING
AND
FURTHER NOTICE OF PROPOSED RULEMAKING**

TABLE OF CONTENTS

I. Summary.....	1
II. Introduction.....	4
III. Suggestions for Major Simplification of the E-rate Program.....	8
IV. Methodology for Calculating the Poverty Level for Library Outlets.....	30
V. Responses to NPRM Questions.....	31
VI. Conclusion.....	35
APPENDIX A – APPLICATION PROCESS FLOW CHART (SLD)	
APPENDIX B – APPLICATION PROCESS FLOW CHART (REVISIONS)	
APPENDIX C – APPLICATION PROCESS FLOW CHART (SIMPLIFIED)	

Summary

E-rate – a program with the stated goals of providing libraries and schools with affordable access to telecommunications and information services – provides critical support that has enabled libraries and schools across the country to benefit from vital telecommunications resources. Just as importantly, E-rate has set in motion the further deployment of broadband throughout the country. This program has had a profound impact over the last eight years.

While the overall impact of the program has been a positive one for libraries and schools, the program itself is at a difficult crossroads. In the course of its eight-year history, numerous small changes have been made to the program that result in an application and disbursement process that is cumbersome, overly complex, and nearly impossible for small and needy applicants. Furthermore, this complicated process has created multiple opportunities for waste, fraud and abuse to occur. Political pressure, negative press, and declining library participation make it clear that E-rate needs revolutionary change to help this program achieve its stated goals.

The American Library Association (ALA) is proposing a plan for major simplification that will address the challenges faced by E-rate, its applicants, the Administrator, and participating service providers. This recommendation is informed by our eight years of working closely with this program, and the day-to-day experiences of our members. Our proposal eliminates unnecessary steps in the application and disbursement process and brings clarity to the roles of the applicants, states, service providers and administrators.

The benefits of this approach are many. First, simplification of the program means fewer opportunities for bad actors to commit fraud and abuse. Second, a simpler application process means higher-quality applications, which will address many of the causes of waste. Third, a less-bureaucratic and more logical process means that precious FCC/SLD resources can be put toward monitoring large and complex applications, further addressing waste, fraud and abuse issues. Finally, a simplified application process will increase participation in the program, particularly among very small libraries and schools who could not previously afford the staff time the program demanded.

Beyond this revolutionary plan for simplification, ALA also encourages the Commission to consider a new method for calculating poverty in libraries. We have filed comments on this issue, and once again ask the Commission to level the playing field for libraries and schools.

Apart from the specific recommendations in our comments, we call for stability in the E-rate program. The past eight years of program history have shown that political controversy and administrative change create confusion among applicants, declining program participation, and major delays in the application and disbursement process. E-rate must be a stable and predictable source of funding. The Commission should place a priority on achieving this goal.

Comments of the American Library Association

The American Library Association (ALA) is the oldest and largest library association in the world with some 64,000 members, primarily school, public, academic and some special librarians, but also trustees, publishers and friends of libraries. ALA's mission is to provide leadership for the development, promotion and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.

We appreciate the opportunity to comment on each of the Universal Service Fund Mechanisms but will be limiting our comments to that of the Schools and Libraries Universal Service Support Mechanism (E-rate). The following comments are the result of a combined effort by ALA's Office for Information Technology Policy and the Association's E-rate Task Force. Together, these organizations serve the entire ALA membership by working with the E-rate program and understanding its impacts on the library community. Over the last eight years, we have established our leadership in the area of E-rate for the library community, as we have taken several opportunities to advise the FCC and SLD on the library perspective. We appreciate this opportunity to continue that tradition.

Introduction

The original 1997 *Report & Order In the Matter of Federal-State Joint Board on Universal Service* states that the intention of Congress in the 1996 Telecommunications Act was to "ensure that eligible schools and libraries have affordable access to modern telecommunications and information services that will enable them to provide educational services to all parts of the nation."¹ At the time that this legislation was enacted, this was a lofty goal indeed; in 1996, only 44.4% of public libraries had a connection to the Internet for staff or public use, and of those, 46.2% provided only a slow dial-up Internet connection with text-based terminal access.²

¹ *Universal Service Order* at para. 424

²Bertot, J.C., McClure, C.R., and Zweizig, D.L. (1996). *The 1996 national study of public libraries and the Internet: Progress and issues*. Washington, D.C.: National Commission on Libraries and Information Science.

Much has changed in America's public libraries since 1996. 98.9% of public libraries are now able to offer public Internet access;³ much of this success can be credited to E-rate, along with other external funding sources such as support from the Bill and Melinda Gates Foundation U.S. Libraries Program and the Library Services and Technology Act.⁴ Libraries have made public Internet access and other technology resources a priority among services offered, despite continued cuts in technology budgets, and lack of sufficient hardware.⁵

While libraries struggle to meet increasing public demand for Internet access despite insufficient funding, aging hardware and in many cases slow connections, the information landscape itself continues to grow and evolve. Library users are increasingly reliant on the Internet to find information and communicate with others. E-government has become a bandwidth-intensive reality for public libraries, as patrons use public access computer terminals to apply for government services, download forms and communicate with local, state and federal agencies. In addition, increased bandwidth is needed for teleconferencing and online education, which allows workers to re-train for new positions.

There is good reason to believe that libraries are reaching an unfortunate plateau in the Internet services they can provide. **Although public libraries have made public Internet access a priority, 85% report that they are not able to meet patron demand for this limited resource.** Library technology budgets continue to decline – 63.9% reported that funding was the same or reduced from 2003-2004 – while technology costs are ongoing and/or increasing with each passing year. This has led to insufficient connectivity speeds for many libraries, particularly rural libraries, of whom only 34% have connection speeds of 768 kbps or higher.⁶ In short, libraries struggle to meet the needs of users today – this is to say nothing of their ability to meet future capacity needs as technology changes and develops in the coming years.

³ Bertot, J.C., McClure, C.R., and Jaeger, J.D. (2005). *Public libraries and the Internet 2004: Survey results and findings*. Available: <http://www.ala.org/oitp/>

⁴ McClure, C.M., Ryan, J., and Bertot, J.C. *Public library Internet services and the digital divide: The role and impacts from selected external funding sources*. Available: http://www.ii.fsu.edu/publications/DDFinal03_01_02.pdf

⁵ Bertot, J.C., McClure, C.R., and Jaeger, J.D. (2005). *Public libraries and the Internet 2004: Survey results and findings*. Available: <http://www.ala.org/oitp/>

⁶ Ibid.

E-rate will be an important factor in the ability of libraries to obtain the benefits of vital but bandwidth-intensive resources despite declining budgets and aging infrastructure. This is particularly true for rural and inner-city libraries that serve a needy clientele but regularly face wildly fluctuating budgets. Moreover, we believe that E-rate could help to further the Administration's stated goal of universal broadband deployment by 2007⁷ a reality by making even the neediest libraries a part of the universal broadband infrastructure. By providing financial support through E-rate to the nation's schools and libraries, the business case for much needed infrastructure buildout and/or expansion can be made when those entities aggregate their needs with those of others in a particular geographic area.

It is critical that we address the issues that deter libraries from applying for E-rate and reverse the trend of declining library participation. We recommend that FCC/USAC implement the following program improvements:

- The program must be simplified for applicants, always keeping in mind that the neediest libraries often do not have the necessary staff or resources to participate in these complex application and disbursement processes that are fraught with delays;
- Inequities caused by the discount calculation methodology used to determine library poverty must be rectified, so that libraries and schools can compete for funds on a level playing field; and
- The program must be stabilized in the administrative and political arenas – particularly with regard to waste, fraud and abuse – so that E-rate can become a steady and predictable funding stream.

Complexity, inequity, and uncertainty have severely constrained library participation in E-rate.

As with any large and complex federal program, E-rate is a work in progress that has undergone revisions and improvements over its lifetime. **We applaud the Commission's attempts at program improvement but we strongly feel that significant and fundamental changes need to be made to the program. The Commission must drastically simplify the process and enable libraries – particularly the poorest, which**

⁷ *President Bush meets with first-time homebuyers in NM and AZ.* (March 26, 2004). Available: <http://www.whitehouse.gov/news/releases/2004/03/print/20040326-9.html>.

often lack the time, knowledge and staff to complete the current required application processes – to more easily participate and reap the benefits of this vital program. At the same time, we are cognizant of the FCC’s responsibility to ensure that the program is administered in a manner that, to the extent possible, prevents fraudulent practices and minimizes those that are wasteful or abusive. In our comments, we also offer ways in which these needs can be addressed.

We strongly encourage the Commission to also remain true to the intent and spirit of the original 1997 *Universal Service Order* when considering ways in which to streamline the program. The Commission recognized in the *Order* that there are vast differences from one part of the country to the other in terms of needs and varying degrees of technological advancement, which are often driven by statewide initiatives. The success of the E-rate program is built on two fundamental principles:

- 1. That applicant needs be determined at the local level; and**
- 2. That the program remains technology neutral.**

We urge caution that these fundamental principles are not lost in whatever program changes are implemented as a result of this NPRM.

Our response to this NPRM is divided into three sections:

- I. Suggestions for a major overhaul of the program that will provide for a simplified application and disbursement process that can be managed in a timely fashion and that will fortify E-rate against waste, fraud, and abuse.**
- II. A methodology for calculating the poverty level for library outlets/branches that allows parity with discounts afforded to schools under the program.**
- III. Responses to questions raised in the NPRM.**

I. SUGGESTIONS FOR MAJOR SIMPLIFICATION OF THE E-RATE PROGRAM

The Problem

At the inception of the program, it was contemplated that there would be three forms for applicants to complete as part of the application and reimbursement process:

- Form 470 to post requests for services to the SLD's web site in order to promote competition.
- Form 471 to request funding for services and notification to the applicant regarding funding decisions in sufficient time prior to the funding year such that service providers could put discounts on bills.
- Form 486 to let the SLD know that services had begun and to process payment to the vendors who in turn would provide discounts on the applicant's bills.

In its original form, the E-rate application process appeared to be fairly straightforward.

Today, that process has evolved into the following:

- Form 470
- Form 470 Receipt Acknowledgement Letter
- Form 471
- Form 471 Receipt Notification Letter
- Additional non-OMB Certifications not part of the initial Form 471 that are required during PIA review, long after the application is submitted.
- Additional non-OMB approved Forms required after the fact during PIA review, e.g. the Selective Review document.
- Form 486
- Form 486 Notification Letter
- Form 472 – the Billed Entity Applicant Reimbursement (BEAR) Form. This form was added, in part, because it is impossible to put discounts on bills when applications aren't even processed until well into the funding year or, in some cases, even after the funding year has ended.

- Form 472 Notification Letter
- A non-OMB approved “Service Certification Form” asking for service providers to certify that services were actually provided.
- Requests for bills not required to be submitted at the time of the Form 472 or Form 474.

What was originally a straightforward process designed to expedite payments and keep ongoing services connected has become a complex tangle of forms and processes that often hinders the applicant’s ability to keep services going. To make matters worse, significant processing delays have become the norm; it is not at all unusual for applicants to be working on 3 to 4 funding years at the same time because of these delays. Tracking what forms are due on what dates for what program funding years causes considerable confusion and has resulted in libraries being denied funding.

Much of the program complexity we are facing today is the result of constant tweaking to the application and disbursement process. The result is a program so cumbersome that the entities the program was intended to serve are completely overwhelmed by constant and unpredictable change – changes to forms, programmatic changes announced on the SLD web site, changes to placement of information on the SLD web site making it difficult for occasional users to find information, and the release of FCC Orders which can create profound change. The complexity of the program rules is especially overwhelming for those from small libraries with limited staff and those who are new to the program.

Participation in E-rate has become an exercise in sifting through stacks of FCC orders and constant monitoring of SLD’s web site. It is unrealistic to expect any program applicant to read FCC orders and interpret program changes from these complex documents. This expectation represents an unfortunate trend in the E-rate program. Increasing library participation in the program – and improving the quality of applications overall – demands that FCC/SLD create a simplified system in which all information and directions for the program can be found in one place, easily interpretable by all.

We must find a way to SIMPLIFY the E-rate program while maintaining its integrity so that those for whom this program was created can benefit. The program has had and will

continue to have dramatic impact on the communities in which these library and school applicants are located. In addition to the direct benefits to schools and libraries, the community-wide aggregation of demand for these resources is also helping to build the business case for broadband deployment in those communities.

We must not lose sight of the underlying principles originally envisioned by the Joint Board: that the program would be both flexible enough to meet individual applicant needs and be technology neutral. Today, services that were not even contemplated at the time of the original Universal Service Order are being made available through the benefit of the E-rate fund. It is clear in reading the NPRM that the Commission is open to fundamental changes in order to simplify and clarify the program. However, we feel that it is essential to remember that the original intent of E-rate is best satisfied by maintaining a process that focuses on the technology needs of the applicants – this is greatly preferable to establishing technology benchmarks or creating a formula-based approach.

ALA's Proposal for Reform

Based on the foregoing policy considerations and our long history of day-to-day involvement with the E-rate program, we propose an approach to simplify the E-rate program while also addressing the Commission's concerns regarding waste, fraud and abuse. The flowcharts in Appendices A, B, and C illustrate the current application process and our proposal for a simplified process.

The flowchart in Appendix A depicts the E-rate support mechanism application and disbursement process as it exists today.⁸

The flow chart in Appendix B depicts those changes we are offering for your consideration. Let us explain. We have assigned a number to each item in the flow chart and will explain below why we believe the items highlighted in red can be eliminated or modified and the items in green need to be added to simplify the E-rate program. Our objectives are as follows:

⁸ http://www.sl.universalservice.org/applicants/sld_flowchart.pdf

1. To have ONE application form/process for which the program requirements are clear and uniformly communicated to applicants across the country prior to the application window;
2. To maintain those parts of the program that work reasonably well so that the transition to this new streamlined program can be easily understood and implemented and so that additional delays and increased costs will not be required to re-tool the program;
3. To have ONE disbursement form/process that can be implemented in a timely way; and
4. To identify ways in which these fundamental program changes will help to deter waste, fraud, and abuse.

Our proposal addresses 27 items, each of which involves a form, document, or step in the process. We will address each item, explaining whether it should be eliminated, retained, or modified.

Item 1—Technology Plans

Remove from E-rate Program Requirements

While we agree that technology plans are an important tool to ensure that useful and cost-effective implementation of technology occurs, this is an exercise that is best monitored and managed at the state level. State Libraries and State Departments of Education set timelines and standards for technology planning to meet the intended outcomes of their organizations and integrate those requirements into other functions of their agencies.

It is important to note that these technology planning timelines and requirements differ from state to state, reflecting local needs. This local context is lost in the technology planning requirement for E-rate – the cookie-cutter approach the program encourages allows applicants to get through the hoops of this program, but produces a technology plan that often has little value. In the end, the E-rate technology plan requirement does little practical good and can do much harm -- it is one more way in which an applicant can typically be denied if plans aren't written at a certain time, don't include the most basic of telecommunications services (including such items as Centrex and voicemail services), aren't approved by a certain date, aren't updated in a certain way, et cetera.

We challenge the Commission to more carefully analyze the purpose of technology plans and the role of state and local decision makers in their creation, implementation, and approval. **Simply stated, it is our position that the Commission should not be involved in shaping the process of technology planning on the local, regional or state level.**

Although libraries have many different methods for approaching technology planning, rarely will you find specific pieces of equipment identified in such a strategic document as a technology plan—that is the purpose of a request for proposal and bidding process. The intended purpose of technology plans is to determine how technology can impact certain desired outcomes. Today’s E-rate technology plan requirements have little to do with this purpose; rather, it has become a way in which to check whether a particular E-rate eligible product or service is identified in the technology plan and then on the Form 470 and subsequent Form 471. We believe that this must be rectified. Additionally, we strongly believe that the E-rate technology planning process has no effect on issues of waste, fraud and abuse.

Item 2—Form 470

Remove from E-rate Program Requirements

We believe that the competitive bidding requirements of state and local governments should govern the requirements for each E-rate applicant.

While the FCC has previously acknowledged that applicants must meet state and local procurement requirements, additional layers of complexity have been added to the procurement process by the use of the Form 470. Under today’s E-rate program rules, applicants must post Forms 470 to the SLD web site for 28 days, and may not enter into a contract until the 29th day. As stated by the SLD on many occasions, one of the major reasons for funding denials is the failure to wait 28 days before entering into a contract. If the applicant signs a contract on the 28th day, they are denied funding. If an applicant indicates an incorrect contract award date on the Form 471, they are denied funding. If an applicant posts the Form 470 for 28 days but releases an RFP the day after the Form 470 is posted, then they may not enter into a contract until the 30th day after the posting of the Form 470.

State and local bidding requirements are often quite different from those laid out by E-rate. Purchasing thresholds are often set by state and local policymakers to ensure that bidding occurs where there is likely to be competitive responses, while at the same time allowing purchases without a competitive bidding process for lower ticket items. Some states require a three-bid minimum; some do not. Some states require RFPs at certain dollar thresholds; some do not. Some states require publication in the local newspaper; some do not. Some states allow for a “best and final offer” negotiation process after bids are submitted; some do not. Each state and local government has prescribed a system that works best for them, and compliance with those requirements should meet the competitive bidding needs of the E-rate program. The confusion caused by these layers of bureaucracy must be eliminated.

If there is only one telecommunications provider in a rural area of the country, it is hard to believe that the posting of a Form 470 will be the motivator to bring competition to the area. Applicants may only receive a single response to a Form 470 posting because the incumbent local exchange carrier is the only provider of services. Yet, the FCC suggests that the receipt of a single bid response does not meet the “cost effectiveness” requirement of the program. What is an applicant to do? The applicant may have met state and local procurement requirements and yet it is asked to jump through many more hoops for the purpose of the E-rate program—none of which may have anything to do with the reality of the services being provided in their geographic area of the country.

In addition, the use of the existing Form 470 causes great frustration for applicants, as they are often bombarded with marketing information as opposed to receiving specific responses to their requests for service. All of these layers of procurement requirements cause a great deal of confusion among applicants leading to many funding denials which have little to do with whether or not a competitive bidding process took place.

We understand that cost effectiveness is an important aspect of the E-rate program and we acknowledge that certain program audits will be necessary in this area to ensure that state and local procurement requirements are being met. We suggest that **state and local procurement requirements be the benchmark against which the program audits compliance.**

Item 3—RNL (Receipt Notification Letter for the Form 470)

Remove from E-rate Program Requirements

Because of the uncertainty and delay inherent in the program, there has been confusion about whether the SLD had received and/or processed information from the applicant. For this reason the SLD began a series of letter notifications to both the applicant and service provider to provide status information on the application processing. The primary purpose of the RNL is to inform applicants of the date on which they can enter into contracts with a selected service provider (the 29th day after posting the Form 470.) If the Form 470 is eliminated, the corresponding Form 470 Receipt Notification Letter can be eliminated. Instead, applicants would enter into contracts based on state and local procurement timeline requirements and would, as outlined above, be audited against such compliance.

Item 4—Form 471

Keep as SINGLE APPLICATION PROCESS under E-rate Program Requirements

The Form 471 would become the single “application” process that we identified above and would be maintained as part of the E-rate program. Those applying for funding generally understand this form, which allows applicants to identify the recipients of service and the dollar amount being requested. If the Form 471 remains essentially the same, the revisions to the program that we are recommending for simplification can be implemented quickly. In other words, the application process—the Form 471—would not need to be completely retooled thus avoiding delays and gaps in the annual E-rate process.

In an effort to further simplify the program, however, and to allow those who review the applications to better focus on fraudulent or abusive practices, we would recommend, as we have previously, that a simplified review process be implemented in the case of funding requests for services that are covered under multi-year contracts.

Requiring that the same information be submitted and reviewed annually for multi-year contract applications creates significant inefficiency within the E-rate program. One way that the SLD could focus more attention on issues related to waste, fraud and abuse is to

eliminate the duplicative review process that takes place year after year on applications for the same service under a multi-year contract. Such an approach would:

- Further streamline the application process;
- Eliminate the annual duplicative review for the very same services;
- Eliminate duplicative requests for information year after year by PIA;
- Speed funding commitment decisions;
- Speed issuance of funding commitment decision letters thereby informing applicants about their approvals or denials before the funding year begins; and
- Allow PIA to focus their review of applications on those that have not been previously reviewed and funded.

In addition to the benefits derived from eliminating the duplicative review process, we believe that there would be no loss of accountability with this approach, since information has already been reviewed at the time of the initial funding commitment.

Current program rules state “Schools and libraries, and consortia of such eligible entities shall file new funding requests for each funding year.”⁹ However, we propose that this requirement could be met differently for those services that are covered by a multi-year contract and in which the request for services and the terms and conditions for the purchase of that service do not change. Since the service provider, the contract award date, contract expiration date, the contracted cost, the evaluation of the most-cost effective solution, and contract terms and conditions do not change during the contract period, it seems wasteful for both the applicant and SLD to complete duplicative information and conduct duplicative reviews for the same service for each year of a multi-year contract.

We recognize that funding commitments would likely still need to be issued on an annual basis due to the annual cap on the fund, the effect of rollover funds, and the effect of demand on Priority One and Two services. We propose that a streamlined Form 471 application process for **C**ontinuing services under a multi-year contract—a Form 471**C**, perhaps—could be used to request funds for those years after the first year of a multi-year contract situation. This form would include the Block 1 applicant name and contact

⁹ 47 C.F.R. § 54.507(d)

information and the “establishing” Form 471 application number, the Block 4 discount information (as NSLP data may change in those years following the filing of the initial Form 471 and the number of recipients of service may change), the Block 5 FRN number, and an Item 23 funding request. Certification information in the out years could also likely be streamlined.

By reducing such wasteful and inefficient duplication of time on the part of the applicant, the service provider and PIA review personnel, more focus could be given to the review of new applications. This will enhance efforts to reduce waste, fraud, or abuse by allowing staff to focus on new applications, rather than wasting time processing the same requests for the same services under the same contract terms.

Item 5 and 5a—RAL (Receipt Acknowledgement Letter for Form 471):

Keep as method for applicants to correct ministerial errors made during the Form 471 application process (Item 5).

Cease sending letter to the service provider (Item 5a).

The Receipt Acknowledgement Letter does serve a vital function in letting applicants know how information has been recorded in the SLD database for their entity(ies), and therefore it should be kept as part of the single application process. In those cases where the applicant identifies certain types of errors made during the filing of their application, they are given three weeks to make those corrections. As it stands today, it seems that many applicants are not aware of this opportunity to correct those ministerial errors. We believe that simplifying the process as outlined above will give applicants an opportunity to focus on each of the remaining steps of the process, resulting in higher-quality applications.

Item 5a—Copy of RAL letter to the affected service provider.

As we will further describe, under the plan we are proposing, there will be no need to send the RAL to the service provider. This will save additional resources that could be devoted to speeding up the application review and commitment process on routine applications and allow additional time to be spent on those complex applications that may be at greater risk for waste, fraud, or abuse.

Item 6—PIA (Program Integrity Assurance) Review

Keep as method of reviewing applications but with severe restructuring based on program clarity and elimination of duplicative requests for information.

We recognize that applications must undergo significant review to ensure that funds are being properly committed under the program rules. However, PIA is hamstrung by the same uncertainty in reviewing the applications as the applicants are in submitting them. In order for the program to work properly, emphasis should be moved from the back end of the process, i.e. audits, commitment adjustments, appeals, etc. to the front end of the process—clarity in application requirements, clarity in eligible services, simplification of the process itself. Even with this program simplification approach that we are proposing, we recognize that much must be done to clarify what the requirements of the program are. Once that is made clear for applicants, PIA can be given procedures to follow in processing applications that are also clear-cut.

As we described earlier, the current PIA process, in effect, entails what seems to be yet another entire application process. Applicants are asked for information that was never required during the original Form 471 filing process and are subject to additional non-OMB approved forms, certifications, and so on which severely slows the application review process. This process must be simplified in order for funding commitments to be made before June 1 preceding the funding year.

Clarity in the program requirements and eligibility of services would go a long way toward faster processing of applications. If information is required to analyze the validity of an application, that information should be requested as part of the application process. It should not be tacked on after the application is submitted. By bringing clarity to the application process, the review process will also be made clearer. As we outlined above in our analysis of the Form 471 process, asking for the same information from applicants year after year when there is a multi-year contract for the same services not only wastes time and money in the review process, it takes the focus off of those applications where additional review might catch fraudulent practices and/or other abusive situations.

Item 7 and 7a—FCDL (Funding Commitment Decision Letter)

Keep the Funding Commitment Letter as a means of notifying applicants of approved applications.

Cease sending letter to the service provider.

The Funding Commitment Decision Letter is a critical tool in communicating approval or denial status to applicants. This communication provides applicants with much needed information about whether or not they have filed successful applications and whether or not they have been funded.

We can not stress enough, however, that the issue that introduces the **single largest degree of complexity** to the program is the repeated failure of the program to issue Funding Commitment Decision Letters prior to June 1 preceding the July 1 start of the Funding Year. When funding commitments continue to be issued 6, 8, 10 months or more into the funding year, there are profound consequences for applicants and service providers alike.

At this writing, more than three months into Funding Year 2005, not all funding requests have been processed for Funding Year 2004, which has already ended. Additionally, only about one third of the commitment dollars have been issued for Funding Year 2005. The failure to issue funding commitments in advance of the funding year causes many more steps in the application process that were never originally contemplated. Funding commitment delays, along with delays caused by lengthy processing of appeals, cause the need for a whole series of additional forms and/or requests. For example, requests must be processed to change service providers (SPIN changes), to change services (service substitutions), to request additional time to install services (service extension requests), to process invoices (invoice extension requests), et cetera.

The failure to commit funds before the beginning of the program year as originally intended has several major consequences. First, the timeline for processing current year requests slows as resources are spread thin to process applications and deal with all of these additional requests caused by the delays. Second, the cost for administering the program goes up dramatically which results in deserving schools and libraries not being funded, and the

original one-year program cycle bleeds from one year to two or three or four, depending on the situation.

This is the single largest area of “waste” in the E-rate program as vendors are no longer willing to extend credit to USAC. As a realistic matter, those vendors who are at least still willing to participate in the program, are increasing their costs to deal with the financial reality caused by the fact that neither they (through the current Form 474 process) nor the applicants (through the current Form 472 process) can submit invoices until after a funding commitment is made and an approved discount level is known.

Perhaps the most important impact of our strategy for a simplified application and disbursement process is the elimination of unnecessary and duplicative bureaucratic processes. The result of this simplified process is that resources can be reassigned to those review processes that would ensure that funding commitments would be made before the start of the Funding Year.

Item 7a—Copy of the Funding Commitment Decision Letter to the affected service provider.

Cease sending letter to the service provider.

As we will further describe, under the plan we are proposing, there will be no need to send the FCDL to the service provider. This will save additional resources that can be devoted to speeding up the application review and commitment process on routine applications, and will allow for additional time to be spent on those complex applications that may be at greater risk for waste, fraud, or abuse.

Item 8—Technology Plan Approval Process

Remove from E-rate Program Requirements

As with the technology plan development identified in Item # 1 above, the technology plan approval process should not be part of the E-rate process. Again, artificial dates for “approval” – dates that are not consistent with state and local objectives -- result in applicants being denied funding under the E-rate program. This process should be managed at the state and/or local level and it should not be part of the E-rate process.

Item 9—Form 486 (Receipt of Service Confirmation Form)

Remove from E-rate Program Requirements

Under today's E-rate program structure, payments are made to the service provider, who in turn either reimburses the applicant for payment already made or who provide discounts on bills. The Form 486 was created for the applicant to communicate to the SLD that services had begun and that it was "o.k." to pay the service provider when invoices were received. This step was created to ensure that the applicant was actually receiving the services ordered before payment was made to the service provider.

This process has fundamental flaws that contribute to waste, fraud and abuse, significantly slow the entire disbursement process, and add many needless steps to the application/disbursement process. We will discuss an alternative approach in the invoicing section. For the purpose of this section, we point out that in the simplified approach we are recommending, the Form 486 will no longer be necessary. By once again removing unnecessary steps from the process, more time and attention can be paid to critical aspects of the program. Resources can be reassigned to speed application processing and disbursement processes such that funding commitments can be made before June 1 preceding the start of the funding year and payments can be quickly made.

We recognize that the Form 486 is currently used to obtain the certifications required under the Children's Internet Protection Act (CIPA). We believe this function could be moved to the Invoice process (see below).

Item 10 and 10a—Form 486 Notification Letter

Remove the applicant letter from E-rate Program Requirements

Cease sending letter to the Service Provider

Because the Form 486 will no longer be required, neither will the follow-up confirmation letters to the applicant and service provider. Today, applicants or service providers are not allowed to submit invoices until they know the Form 486 has been filed. These letters

currently serve as notice that the SLD has captured that information in the SLD database and that approved invoices will be paid upon receipt and review.

Item 11—Form 472 (Billed Entity Applicant Reimbursement Form)

Remove from E-rate Program Requirements

Currently, the Form 472 does not require that bills be submitted for review. Yet, often during the processing of the BEAR form, separate communications with applicants occur requesting that bills be submitted. This often equates to what feels like yet another entire application process with requests for various contract information and non-OMB approved forms (the Service Certification Form) that must be filled out by service providers indicating that they certify that services were actually delivered. Another delay occurs as the applicant waits to see if copies of bills or other information will be requested during invoice review. This often results in significant delays in making payment to the service provider. Even once the invoice is approved for payment, further delays occur as checks to the service provider are processed. Subsequent additional delays occur between the receipt of payment by the service provider and ultimate reimbursement to the applicant. On many occasions, it even takes intervention by USAC to compel the service provider to pay the applicant.

Item 12—Form 474 (Service Provider Invoice Form)

Remove from E-rate Program Requirements

The program was originally conceived to be a discount program where applicants would be required to pay only their non-discounted portion to the service provider based on discounted bills received. This approach simply does not work as currently constructed and, we believe, is the biggest source of waste in the program today. In addition, given the fact that the applicant does not have the opportunity to review invoices submitted by the service provider, this approach can also lead to fraudulent activity. Here are some of the problems inherent in the current discount mechanism under which payment is made directly by USAC to the service provider:

1. In order for service providers to put discounts on bills for services generally beginning July 1 of the funding year, they must receive funding commitments at least 30 days prior to the start of services. This means that funding commitments and resulting approved discounts must be made prior to June 1 of

the funding year. Service providers must know the approved discount amount before discounts can be placed on bills. **However, an analysis of the preceding five funding years shows that, on average, only 31.6% of E-rate dollars have been committed by September 1—two months into the funding year.¹⁰ Two-thirds of the remaining funding commitments are made even later in the funding year or even after the funding year has ended.**

2. If service providers do, in fact, begin to discount bills as of July 1 based on either the previous year's discount or on the discount requested by the applicant during the application process, then service providers are forced to retroactively adjust billing to reconcile the difference between the discounted amount placed on bills and the discount allowed by the SLD as a result of the application review process. Service provider bills are often very difficult to understand without all of these adjustments, but this added layer of complexity makes it virtually impossible to analyze the true cost of services and makes it more difficult to track what actually took place when the applicant undergoes any type of audit or site visit. Meanwhile, this contributes to huge waste in the program since service providers must provide ongoing services for which they have no hope of being paid until after a funding commitment is made. In order to cover this risk, costs are inflated to deal with this program reality.
3. Specifically with regard to Priority Two services, applicants will often indicate in contracts that work may not begin until funding commitments are made since without the assistance of the E-rate program, the applicant alone could not afford the work. With delays in funding commitments, applicants lose the opportunity to do wiring and other large-scale installation projects during the critical summer months when students are not present. The inability to start projects on schedule often means they cannot be concluded in the funding year for which funds are awarded. This adds even more complexity to the program as outlined above since this sets off a whole series of additional requests to alter program dates for completion and invoicing.

¹⁰ <http://www.sl.universalservice.org/funding/previous.asp>

4. The SLD, in their training materials, indicates that the applicant must remain in “the driver’s seat” during the procurement process; that is, they must not allow the service providers to control or interfere with that step of the application process. Yet, the discounted bill methodology effectively takes applicants out of the bill approval process. Once the applicant submits a Form 486, vendors can send bills directly to USAC leaving the applicant with no opportunity to review the bills being submitted. There is an entire industry that has developed in which consultants offer services to review telecommunications bills for errors. They base their service on contingent fees and their businesses are profitable because they find circuits that are no longer being used but which continue to be billed. The same problems occur with services purchased with E-rate funds. Without careful review of the bills by the applicant, it is our opinion that an untold amount of waste takes place due to this dysfunctional discounted bill approach to the E-rate program.
5. An applicant must take extraordinary measures outside the normal course of the E-rate program process if they are to require that the service provider submit bills to the applicant for review before the service provider submits them to USAC. While the SLD over the last couple of years has instituted a process for applicants to halt or suspend payments to service providers when work is substandard or not otherwise compliant with the contract, the general course of business is simply for USAC to directly pay the service provider for the invoices as submitted. When applicants responsibly require the service providers to submit bills to them before sending them to USAC, the payment process is once again dramatically slowed. In addition, according to a recent FCC Order, the applicant faces potential penalties or the need for further explanation if they do not pay the service provider the non-discount portion within 90 days of the delivery of service.¹¹ Once again, the current process makes it very difficult for applicants to try to implement bill review processes to help avoid fraud or to deter wasteful or abusive billing practices.
6. Today, many service providers still refuse to put discounts on bills because of the costs that must be incurred to redesign their billing processes to accommodate

¹¹ See *Schools and Libraries Fifth Order* at para. 24

such a discounted billing process. Conversely, other service providers are putting discounts on bills but are either increasing their costs to cover the expense of this billing requirement, or are charging a fee to applicants to provide discounted bills. This is a huge waste of program funding when this money could be going to needy schools and libraries that otherwise are not funded because the fund is not sufficient to meet the needs of all eligible entities.

7. The discounted billing process removes any checks and balances that the applicant may have imposed to detect waste, fraud and abuse as part of their normal course of business. Typically, the applicant would be reviewing bills to make certain that they were not being billed for other than services being received, that the amounts for which they were being billed were consistent with executed contracts, that the service provider was not billing for products or services that had not been requested or are otherwise ineligible for E-rate discounts. Given that contracts often contain those products and services that are E-rate ineligible as well as those that are eligible, billing errors are almost certain to be inherent in the current process. The applicant is in the best position to determine which items should be included in any invoices that are sent to USAC for payment under the E-rate program. Yet, the discounted bill methodology disempowers applicants—they have little “skin in the game” other than the potential direct impact to the non-discounted portion of the bill. All of this creates the potential for fraudulent, if not wasteful practices that, in the end, leave other schools and libraries from receiving much needed funding.

Item 13—Invoice Form and Corresponding Invoices Submitted by Applicant with payment made directly to the applicant.

Exchange Item 11 and 12 above with a re-engineered process for invoice submission and payment directly to the Applicant including any necessary CIPA certifications

All of the recommendations preceding this point in the application process are based on a fundamental change to the program: **all payments for E-rate eligible products and services would be made directly to the applicant who, in turn, would make payment to the service provider, just as they do today in the normal course of business for any non E-rate procurement process.** This approach puts applicants and their governing

authorities back in the “driver’s seat” and allows for those checks and balances that are normally undertaken to be applied to the E-rate process.

Implementing our proposal would clearly require changes to the Commission’s rules, but no statutory changes would be needed. Section 254 of the Communications Act gave the Commission broad discretion in how to design the E-rate program, and all of our proposed changes fall within that discretion. Leaving aside the question of which services are covered by the E-rate program, which our proposal does not address, the critical statutory requirements are: (i) that telecommunications providers are to provide certain services to schools and libraries “at rates less than the amounts charged for similar services to other parties”; (ii) that the Commission has the authority to set the amount of the discount; and (iii) that providers will be made whole, either through an offset against their contribution obligations, or using the Commission’s universal service mechanism.¹² Our proposal falls within the scope of these statutory requirements.

Items (i) and (ii) above are not impacted by our proposal. With regard to item (iii), nothing in the Act prevents the payment of universal service funds directly to the applicant with subsequent payment made by the applicant to the service provider. The only requirement in the Act is that the provider be made whole. This proposal accomplishes that—the applicant would, through the combination of E-rate funds paid to them by USAC at the established discount rates and through their local non-discount commitment, pay the service provider the full amount of the cost of service thereby making them “whole.”

Given the history of the program, and the Commission’s broad discretion, a mechanism that permits providers to be paid directly by E-rate applicants is defensible. The statute only requires that the reimbursement be made “utilizing the support mechanisms to preserve and advance universal service.” If the Commission’s rules are changed to allow payment from the universal service funding mechanism directly to the applicant, then allowing the applicant to pay the service provider meets this requirement because providers in fact will have been paid “utilizing” the universal service support mechanism.

¹² 47 U.S.C. § 254(h)(1)(B).

In order for this “payment to the applicant” approach to work for schools and libraries, it is essential that the invoicing/disbursement process occur quickly. We recognize that one benefit of the discounted bill approach is that the neediest of applicants do not have to “front” the money for the products and services being ordered. Given the problems outlined in Item 12 above and the overall detrimental impact to the program of the discount invoice approach, we believe it may be more practical for applicants to pay service providers for the full cost of services **IF** the remittance process for payment to the applicant happens quickly, i.e. within a 30-day period. Our overall simplified approach to the application and disbursement process shows many steps where current resources can either be reassigned or eliminated, which could and should directly impact the timeline for processing payment to the applicants. If payments were to be made within 30 days, applicants would only need to have one-twelfth of the annual cost of services on hand to make timely payment. Conversely, applicants could negotiate contracts with vendors that allowed for longer than a 30-day payment cycle if necessary.

Either of these approaches would likely be far more desirable than the position that service providers face today where they must continue to provide services to retain their customers but with no hope for payment until after funding commitments are made and the lengthy invoice review process takes place. Since service providers are often paid in “batches” for many applicants across many application funding request numbers (FRNs), often payments are held, i.e. for service certification checks and other verifications, until all line items on the invoice are cleared. We believe this process can be simplified, and that both applicants and service providers will benefit by the more timely approach to payment. In addition, by implementing a process whereby applicants review and approve bills for payment and their administrations and/or governing boards are responsible for payment of E-rate services in the same way they are for any other procurement process undertaken by their institutions, program integrity will be strengthened and waste, fraud, and abuse will be greatly reduced.

Item 14—Invoice review

Keep this item as part of the E-rate Program Requirements.

In order to ensure that the services for which funding was requested are being properly invoiced, we recommend that this step be retained. However, the invoice form/process that

may be re-engineered to take the place of the current Forms 472 and 474 must be clear and must specify what documentation is needed up front so that invoices may be reviewed in a timely manner to avoid disbursement delays.

Item 15 and 15a—BEAR and BEAR/SPI Notification Letter

Remove the BEAR Notification Letter from E-rate Program Requirements

Remove the BEAR or SPI Notification Letter to Service Providers from E-rate Program Requirements

Given that our recommendation is to eliminate the existing BEAR and SPI forms, the corresponding notification letters can also be eliminated. Depending on the re-engineering of the invoice process, a notification letter or online notification after submission of the invoice may or may not be of value. If disbursement is made within 30 days, it is unlikely that such a step would be necessary.

Item 16—Receive discounts on bills or Reimbursement by Check or Credit

Remove this function from the E-rate Program Requirements

As discussed above, remove this function from the E-rate Program Requirements. Replace with Items 17 and 18 below.

Item 17—Applicant Receives Payment

Add this function to the E-rate Program Requirements

After invoice review, USAC would send payment directly to the applicant.

Item 18—Applicant Pays Service Provider

Add this function to the E-Rate Program Requirements

The applicant would pay the service provider for bills submitted and reviewed as part of the normal course of business of the applicant entity. Applicants would have control over the invoices that are paid.

Item 19--Quarterly Disbursement Report

Remove this function from the E-rate Program Requirements

This function was created so that applicants could tell whether or not service providers had been paid for services and whether or not they should take action if they had not yet received reimbursements. In our simplified approach with payment being made directly to applicants, this reporting function would no longer be required.

We believe the following items which are unique to service providers can also likely be eliminated.

Item 20—Check filed Forms 470, contact applicants, respond with bids

Remove from E-rate Program Requirements

Service providers would instead follow the normal course of action for responding to requests for proposals. This would eliminate the mass marketing campaigns to those who file Forms 470 and would allow both applicants and service providers to focus on legitimate responses to bid requests for specific services.

Item 21—Form 498 (Service Provider Identification Number and Contact Information Form)

Remove from E-rate Program Requirements

Form 498 is used to collect contact, remittance, and payment information for service providers that receive support from the Federal universal service support mechanism. If the program is changed as described above such that payments are made directly to applicants, there would no longer be the need for a Service Provider Identification Number (SPIN) and this form could be eliminated.

Item 22—Negotiate a contract (or arrangement for tariffed or month-to-month services.)

Keep this process as part of the normal course of business.

Service providers would simply negotiate contracts or enter into agreements for tariffed or month-to-month services as prescribed by applicable state and/or local procurement requirements.

Item 23—Assist with Program Integrity Assurance (PIA) Review

Remove from E-rate Program Requirements

We do not believe service providers should be involved in the application review process.

Item 24—Form 473 (Service Provider Annual Certification Form)

Remove from E-rate Program Requirements

Form 473 is used to confirm that the invoice forms (Form 474—see Item 12 above) are submitted by each service provider in compliance with the FCC’s rules. The Service Provider Annual Certification Form is currently required in order to file Form 474 Service Provider Invoice Form. When service providers fail to file Form 473, the SLD will not process Forms 486 (See Item 9 above) leaving applicants unable to receive discounts to which they are entitled. This is another bureaucratic step that can be eliminated when payment is made directly to the applicant as outlined in our proposal.

Item 25—Invoice Review (SPI—Service Provider Invoice Form) Correct errors and resubmit if needed.

Remove from E-rate Program Requirements

Since the simplified process will mean that payments will be going directly to the applicant and not the service provider, this step is no longer necessary.

Item 26—Receive USAC Remittance Statement and Payment

Remove from E-rate Program Requirements

Since the simplified process will mean that payments will be going directly to the applicant and not the service provider, this step is no longer necessary.

Item 27—BEAR reimbursement to Applicant

Remove from E-rate Program Requirements

When the invoicing process is re-engineered to make payment directly to the applicant, this step is no longer necessary.

Simplified Application and Disbursement Summary

Appendix C provides a snapshot of the changes detailed above. We feel that this approach provides a roadmap for the Commission to simplify the program, improve its management, address waste, fraud, and abuse, and increase participation. Perhaps most importantly, this approach allows for the greatest possible portion of the funds to go toward meeting stated program goals. We strongly encourage the Commission to consider such an approach, and look forward to discussing it further in the coming months.

It is necessary that the Commission also consider the role played by the states. As you can imagine, with a program of this size—nearly 39,000 Form 471 applications filed in 2005—there is need for ongoing involvement at the state level to ensure that states in general, and local libraries and schools specifically, are successful in meeting the requirements of the program. Whether it is today’s complex program or the simplified program that we recommend, it is essential that states have the necessary resources to effectively train applicants on E-rate program requirements.

Ongoing training and support are critical to the cost effective use of these universal service funds. A portion of the cost savings that will be realized through the simplified process we recommend should be allocated as administrative costs for the states to be used as they see fit to help administer this program. Those funds may be allocated based on some percentage of the historical receipt of E-rate funds or may be based on the population of the state and other geographic considerations. In any case, the effective administration of the program, in part, can be further enhanced through financial support of the role played by the states. This state-level financial assistance will help to ensure the cost-effective use of the Universal Service Support Mechanism for libraries and schools.

II. A METHODOLOGY FOR CALCULATING THE POVERTY LEVEL FOR LIBRARY OUTLETS/BRANCHES SUCH THAT THEY CAN OBTAIN PARITY WITH DISCOUNTS AFFORDED TO SCHOOLS UNDER THE PROGRAM.

The Commission's method for calculating poverty level is a key issue for librarians, and the current method has led to inequality in the program, as documented in an Ex Parte filing by the American Library Association on January 22, 2004. In this document, we describe an alternative way libraries could calculate their discount rates that would be more equitable and accurate. Our proposed method would allow a public library outlet/branch to calculate its discount based on the school lunch figures for its corresponding elementary school, rather than from the average across a school district. We believe that this revised approach would provide a more accurate picture of a local library's true need, and the idea has received widespread support in the library community.

III. NPRM QUESTIONS AS THEY RELATE TO SOLUTION PROPOSED BY ALA

The NPRM asks a series of questions with regard to the current program structure and/or to program improvements. We have grouped those questions into the following major categories and will be addressing them in that way. Where possible, we will respond to the questions in the context of the simplified program structure identified above.

Management of and by USAC (Paragraphs 9, 10, and 11):

While we recognize the need to analyze every aspect of the program in an analysis as broad as this one, we feel that USAC should retain management of E-rate. First, USAC is operating with eight years of program history/knowledge. A change of administrators would most likely mean a significant gap in funding commitments as a new entity took control. Second, we would like to underscore the main thrust of our comments, which is that it is program complexity, not necessarily the management of FCC, USAC/SLD or any other entity, that leads to problems with the program. A simplified process will lead to better administration of the program.

Review of Administrative Structure and Procedures (Paragraphs 12-22):

Our vision for an improved E-rate is a highly simplified application and disbursement process. We would encourage the Commission to reflect this clarity and transparency in every aspect of the program's administration.

Concerning the matter of contribution factors and other miscellaneous financial matters, we would like to underscore the importance of E-rate commitments representing actual commitments. For this program to function properly, applicants with limited local budgets must have certainty in funding commitments before they can move forward to receive the benefits of this program.

Performance Measures (Paragraphs 24—32):

Paragraph 24 points to the need for the Commission to develop performance measures for the E-rate program. Specifically, the NPRM states that any performance measures must be “highly relevant in measuring program value, accomplishments, and results” and goes on to state that “[we must] measure only the goals of the program and not stray beyond our jurisdiction.” We urge the Commission to consider the creation of performance measures based on E-rate’s core mission of connectivity, access, and deployment of advanced services. We would again like to note the Administration’s stated goal of universal broadband deployment by 2007, and our belief that E-rate could play a significant role in that effort.

Program Management (Paragraph 33):

A key strength of E-rate is its flexibility in meeting local library and school needs. We feel that the way to increase this flexibility while maintaining program integrity is through a radical simplification of the application and disbursement process. Rather than expand the services eligible for these funds, we feel that the Commission should focus its effort on meeting the goal of universal broadband deployment.

It is clear in reading the NPRM that the Commission is open to completely re-thinking E-rate to simplify and clarify the program. However, we feel that it is essential that the original intent of E-rate is best satisfied by maintaining a process that focuses on the technology needs of the applicants – this is greatly preferable to establishing benchmarks or creating a formula-based approach.

Application Process (Paragraphs 37-39)

The NPRM points to a number of problems that are created by the existing E-rate program. Our simplified approach will address and eliminate these issues through improved program clarity, better application quality, better communication between applicants and the program Administrator, and increased transparency to combat waste, fraud and abuse.

Competitive Bidding (Paragraph 40)

We recognize that cost-effective solutions are an important part of the program's financial integrity. However, the Commission must recognize that state and local governments operate on the same principle and have established procedures for meeting this goal. Our approach eliminates the Form 470 and aligns the competitive bidding requirements to those created by state and local governments. All audits performed under this program should be based on those state and local requirements.

Technology Planning (Paragraph 40)

As outlined in our simplified approach, technology planning, approval, or monitoring should not be the role of the Federal Communication Commission. We reiterate that technology plans have long been used effectively by state and local governments, and that this process should remain at the local level.

Forms (Paragraph 41)

We applaud the Commission for scrutinizing the existing program forms. We feel that our simplified process outlined above addresses the issue of consolidation and elimination of forms.

Timing of Application (Paragraph 42)

We commend the Commission for addressing major flaws in the timing of E-rate application and disbursement processes. We feel that our simplified process outlined above addresses questions of timing in the application and disbursement processes.

Service Providers and Consultants (Paragraph 43)

Our proposal to simplify E-rate recommends adherence to state and local competitive bidding requirements. This should extend to the selection of cost-effective and reputable service providers and consultants.

Other Programs (Paragraphs 44—59)

Our comments are focused on the Schools and Libraries Universal Service Support Mechanism. We feel that the implementation of the other Universal Service programs has little to offer the needs of libraries and schools.

Disbursements (Paragraphs 60)

Our simplified approach outlines how the invoice process can be streamlined in a way that benefits applicants, service providers and the Administrator. We feel that this will speed payment to the applicant, which will in turn speed payment to the service provider.

Disbursements (Paragraphs 61-64)

We have chosen not to comment on the methodologies used in other programs.

Audits (Paragraphs 71—89)

We recognize that audits are a key tool in ensuring program integrity. However, we feel that the Commission should focus audits on complex applications, where history has shown that fraud is more likely to occur. We would also like to underscore the fact that a clarified and simplified program will by default lead to fewer opportunities for waste, fraud and abuse.

WFA (Paragraphs 90—99)

We strongly encourage the Commission to consider the difference between fraudulent practices and those that are wasteful and abusive. Fraudulent practices are criminal in nature and should be pursued with all due diligence to preserve and protect the integrity of the program. Wasteful and abusive practices, however, are more difficult to define and may result from such things as program complexity, lack of clarity, delayed funding commitments, and insufficient investment in application quality.

Conclusion

In conclusion, ALA urges the Commission to keep three central themes in mind as it moves the E-rate program forward. First, we urge the Commission to radically simplify this program in order to meet applicant needs and focus on reassigning resources to increase program integrity. Second, the Commission must rectify inequities in the discount calculation methodology so that libraries and schools can compete on a level playing field. Third, the program must be stabilized in the administrative and political arenas – particularly in regards to waste, fraud and abuse; in order to make effective use of E-rate funds, applicants must be able to rely on a steady and predictable funding stream.

Again, we point to the fact that clear, concise, complete and consistent information about how to properly interact with the program would reduce waste in the program. This would save money, increase efficiency, and result in a better program. We also strongly believe that such changes would increase library participation, particularly among smaller libraries that cannot afford to participate in today's overly complex program.

Respectfully submitted,

Emily Sheketoff

Executive Director, ALA Washington Office

1615 New Hampshire Ave N.W.

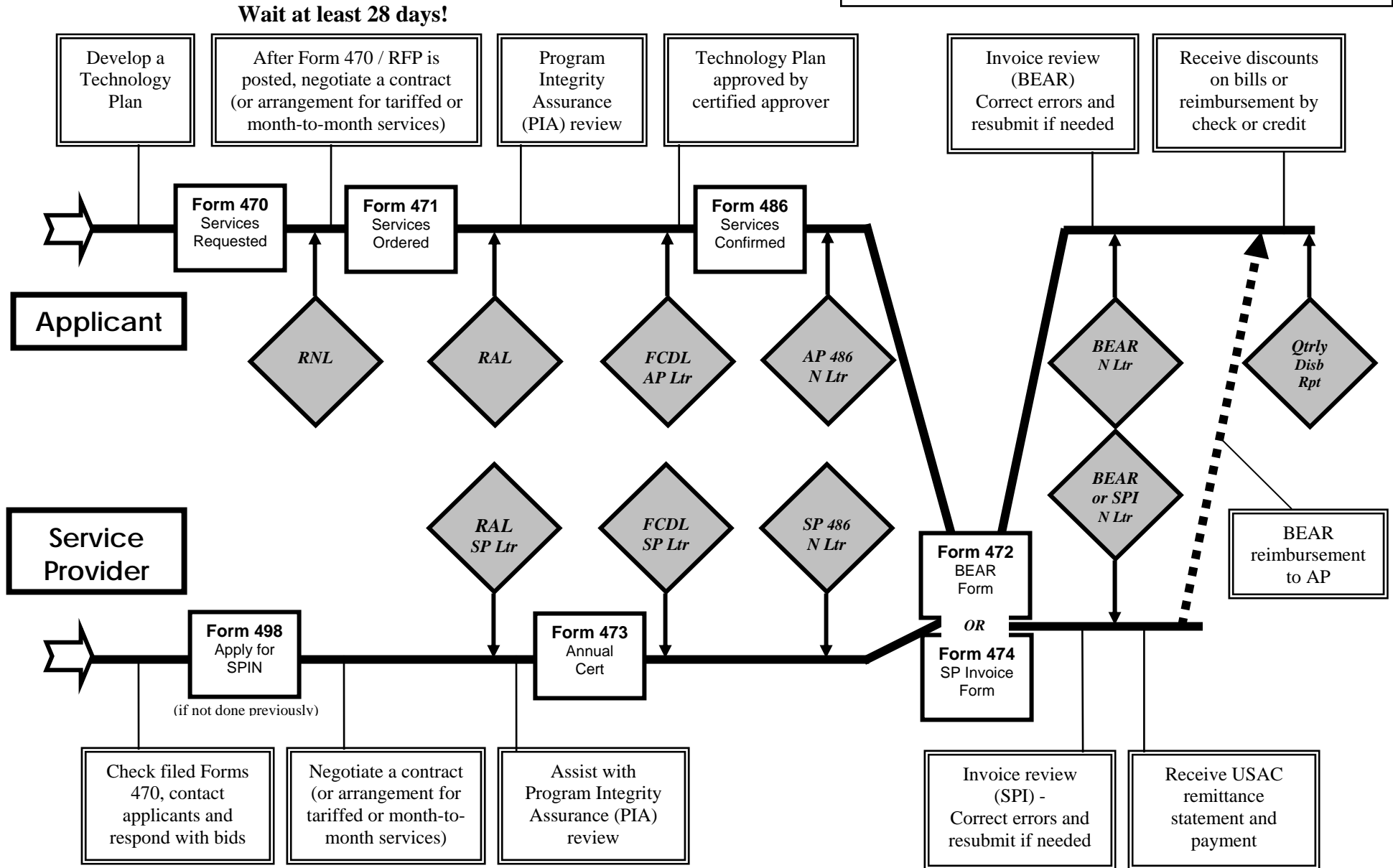
Washington, D.C. 20009

(202) 628-8410

Appendix A

Application Process Flow Chart

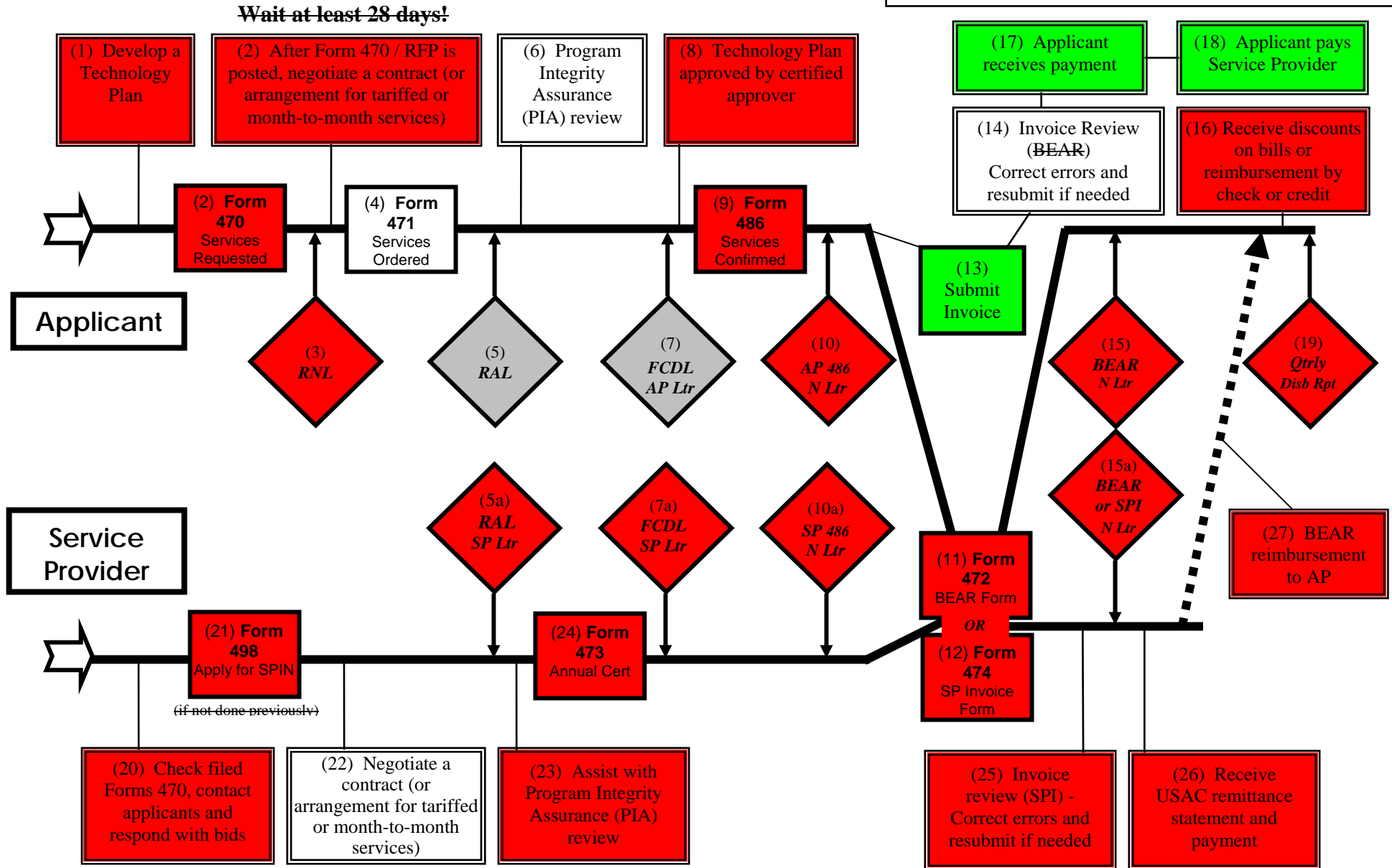
Key	
AP or SP	Applicant or Service Provider
SPIN	Service Provider Identification Number
RNL	Form 470 Receipt Notification Letter
RAL	Form 471 Receipt Acknowledgment Letter
FCDL	Funding Commitment Decision Letter
486 NLtr	Form 486 Notification Letter
BEAR or SPI	Billed Entity Applicant Reimbursement or Service Provider Invoice
Qtrly Disb Rpt	Quarterly Disbursement Report



Appendix B

Application Process Flow Chart

Key	
AP or SP	Applicant or Service Provider
SPIN	Service Provider Identification Number
RNL	Form 470 Receipt Notification Letter
RAL	Form 471 Receipt Acknowledgment Letter
FCDL	Funding Commitment Decision Letter
486 NLtr	Form 486 Notification Letter
BEAR or SPI	Billed Entity Applicant Reimbursement or Service Provider Invoice
Qtrly Disb Rpt	Quarterly Disbursement Report



Appendix C

Application Process Flow Chart

Key	
AP or SP	Applicant or Service Provider
SPIN	Service Provider Identification Number
RNL	Form 470 Receipt Notification Letter
RAL	Form 471 Receipt Acknowledgment Letter
FCDL	Funding Commitment Decision Letter
486 NLtr	Form 486 Notification Letter
BEAR or SPI	Billed Entity Applicant Reimbursement or Service Provider Invoice
Qtrly Disb Rpt	Quarterly Disbursement Report

