



Federal Communications Commission  
Washington, D.C. 20554

October 27, 2011

DA 11-1801

Mr. Richard Belden  
Chief Operating Officer  
Universal Service Administrative Company  
2000 L Street, NW  
Washington, DC 20036

RE: Reductions to Rural Health Care and Schools and Libraries Operational Support Services Contract

Dear Mr. Belden:

On March 10, 2011, the Federal Communications Commission (Commission) approved the Universal Service Administrative Company's (USAC) request to extend its agreement with Solix, Inc. through June 30, 2012 for Rural Health Care (RHC) and Schools and Libraries (E-rate) Operational Support Services (OSS), subject to certain conditions to implement cost savings for the extension period. In particular, USAC was instructed to consult with the Commission on an ongoing basis, regarding proposed efficiencies and price reductions, including discussions on how changes in USAC procedures could facilitate greater efficiency.<sup>1</sup> In response, USAC has coordinated with the Commission and submitted several proposals designed to reduce the annual cost of its program integrity assurance review for the E-rate program under the USAC OSS agreement.<sup>2</sup>

This letter approves many of the cost savings proposals submitted by USAC concerning the E-rate program performance integrity assurance review process. In doing so, we agree with USAC that these cost savings will reduce administrative costs without compromising the effectiveness or the integrity of the E-rate program. In particular, the cost savings associated with implementation of these proposals should save the Universal Service Fund approximately \$4.1 million. The approved cost savings proposals are listed in Attachment A. Also, because Attachment A is derived from information submitted by USAC on April 8, 2011 subject to a request for confidential treatment, we consider it subject to the terms of that request.

We recognize and appreciate USAC's efforts in this area to date. Implementation of the approved cost-saving proposals is critical to reaching our common goal of further improving the administrative

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<sup>1</sup> See Letter from Dana Shaffer, Federal Communications Commission, to Richard Belden, Universal Service Administrative Company (Mar. 10, 2011). USAC was instructed to examine opportunities for savings in response to the Government Accountability's Office's finding that USAC's expansion of the complexities and layers of review in the program integrity assurance review process may have resulted in inefficient or ineffective methods for addressing programmatic risks. See *id.*; United States Government Accountability Office, *TELECOMMUNICATIONS: FCC Should Assess the Design of the E-rate Program's Internal Control Structure* (Washington, DC 2010), GAO-10-908, pp. 21-22.

<sup>2</sup> See Letter from Richard Belden, Universal Service Administrative Company, to Steven VanRoekel, Federal Communications Commission (Apr. 8, 2011) (USAC Cost Savings Letter).

efficiencies for the universal service program. If you have any questions or wish to discuss these issues further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dana R. Shaffer', with a long horizontal flourish extending to the right.

Dana R. Shaffer  
Deputy Managing Director

Cc: Mark Stephens  
Thomas Buckley  
Gina Spade  
Debra Weiner