



Federal Communications Commission
Washington, D.C. 20554

March 10, 2011

DA 11-476

Mr. Richard Belden
Chief Operating Officer
Universal Service Administrative Company
2000 L St. NW, Suite 200
Washington, DC 20036

RE: Request for Approval to Extend Contract for RHC/SL Operations

Dear Mr. Belden:

This responds to your letter to Steven VanRoekel dated January 27, 2011, requesting: (1) approval to extend the Rural Health Care and Schools and Libraries Program Support Services Agreement between USAC and Solix through June 30, 2012, with an option for an additional year of transition services; and (2) authorization to exercise that option period, if needed. Your letter says that the firm-fixed-price for the extension period will be the same as the current July 2, 2010 – June 30, 2011 contract price and that the firm-fixed-price for the option period would not exceed that same amount (and is expected to be lower based on the reduced workload during the transition period). We approve the request to modify the Solix contract to extend the performance period as stated in your letter, pursuant to the Memorandum of Understanding (MOU)¹, subject to conditions as specified below requiring USAC to negotiate efficiencies and reduced firm-fixed-prices for the extension period beginning July 1, 2011 and the additional option period.

It would be premature at this time for FCC to act on USAC's request to authorize USAC to exercise the option period. If it becomes evident during the base year of the extension that USAC will need to exercise the option, then USAC should re-submit its request for approval to exercise the option.

Section IV.B.2 of the MOU requires that USAC shall, as a general matter, apply the Federal Acquisition Regulation (FAR) provisions specified in Attachment E to the MOU, including FAR Parts 5 and 6. Due to the specific facts and circumstances of this contract extension, we are accepting your letter in satisfaction of the requirement for a Justification and Approval document under FAR 6.303, and we are not requiring publication under FAR 5.201. This does not affect the requirement for all other USAC procurements and contracting actions to comply with the FAR to the extent required by the MOU, including FAR 17.207 requirements for the exercise of options.

USAC shall achieve additional efficiencies in the work under this contract, to reduce the annual cost of the contract without impairing the effectiveness or integrity of the RHC and S&L programs. In doing so, USAC should review opportunities for reductions in response to the Government

¹ Memorandum of Understanding between the Federal Communications Commission and the Universal Service Administrative Company, executed September 9, 2008, section IV.B.3.a.

Accountability Office's finding that USAC's expansion of the complexities and layers of review in the PIA process may have resulted in inefficient or ineffective methods for addressing programmatic risks.²

Within 30 days after the date of this letter, USAC shall prepare and submit to FCC preliminary analyses of several options for greater efficiency, including documented estimates of the savings from each option and any impacts on program effectiveness and integrity. Within 90 days after the date of this letter, USAC shall, subject to FCC approval, implement at least one significant new efficiency in work under the Solix contract. USAC shall consult with FCC on an ongoing basis regarding the proposed efficiencies and price reductions, including discussions of how changes in USAC procedures could facilitate greater efficiency. The FCC intends to send staff to examine the operations under this contract on-site, to gain a better understanding of opportunities for improvement. This letter does not affect FCC's ability to act under the MOU or other proper authority to direct actions by USAC.

The Commission expects USAC to award and oversee this and all procurements in accordance with these directives, the Memorandum of Understanding, and Federal Acquisition Regulations. If you have any questions, please do not hesitate to contact me. Thank you for your prompt attention to this matter.

Sincerely,

Dana R. Shaffer
Deputy Managing Director

cc: Sharon Gillet, FCC
Mark Stephens, FCC
David Reed, FCC

² 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.