



Federal Communications Commission
Washington, D.C. 20554

February 4, 2013

DA 13-119

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 6, 2012, the Federal Communications Commission (Commission) approved the Universal Service Administrative Company's (USAC) request to extend its agreement with Solix, Inc. through June 30, 2014 for Rural Health Care (RHC) and Schools and Libraries (E-rate) Operational Support Services (OSS), subject to certain conditions to implement cost savings.¹ The Commission has instructed USAC 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.² Last year, the Commission approved several proposed efficiencies.³ As part of that continuing effort, USAC and the Commission have continued to discuss how to achieve greater efficiencies. At the Commission's request, USAC has 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.⁴

¹ See Letter from Dana Shaffer, Federal Communications Commission, to Richard Belden, Universal Service Administrative Company (Mar. 6, 2012).

² 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.

³ See Letter from Dana Shaffer, Federal Communications Commission, to Richard Belden, Universal Service Administrative Company (Oct. 28, 2011).

⁴ See Letter from Richard Belden, Universal Service Administrative Company, to Steven VanRoekel, Federal Communications Commission (Apr. 8, 2011) (USAC Cost Savings Letter); Email from Richard Belden, Universal Service Administrative Company, to Gina Spade, Federal Communications Commission (July 12, 2012).

Attachment A hereto details approval of a number of the cost savings proposals submitted by USAC concerning the E-rate program performance integrity assurance process.⁵ With regard to the specific measures we approve today, we agree with USAC that those proposals will reduce administrative costs without compromising the effectiveness or the integrity of the E-rate program. Based on USAC's estimates of the cost savings associated with implementation of these proposals, implementation of the approved cost savings measures should save the Universal Service Fund nearly \$2 million. Please implement these proposals as soon as practicable, but no later than March 1, 2013. In addition, USAC should execute a contract modification with Solix to incorporate these changes within the same timeframe.

Attachment A also details those proposals that are not approved; I would be glad to discuss these further with you and/or answer any questions you may have with regard to disapproval of these proposed measures.

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 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,



Dana R. Shaffer
Deputy Managing Director

cc: David Robbins
Julie Veach
Mark Stephens
Debra Weiner
Carol Matthey

⁵ USAC requested confidential treatment for its cost-savings proposals. *See* USAC Cost Savings Letter. Because the approved reductions in Attachment A are derived from information submitted by USAC subject to its request for confidential treatment, we consider Attachment A subject to the terms of that request. These measures are also confidential because their public release would compromise the application review process.