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Schools and Libraries News Brief

May 12, 2006

Commitments for Funding Years 2006 and 2005

Funding Year 2006. USAC will release FY2006 Wave 4 funding commitment decision letters (FCDLs) May 16. As of May 12, FY2006 commitments total over \$203 million for approved Priority 1 requests (Telecommunications Services and Internet Access).

Funding Year 2005. USAC will release FY2005 Wave 48 FCDLs May 18. This wave will include commitments for approved Internal Connections and Basic Maintenance funding requests at 86% and above. As of May 12, FY2005 commitments total over \$1.65 billion.

USAC will continue to issue weekly funding commitment waves for both FY2006 and FY2005. After noon on the date that the FCDLs are mailed, you can check to see if you have a commitment in either funding year by using USAC's [Automated Search of Commitments](#) tool.

Commitment Adjustments and Recovery of Funds

What is a Commitment Adjustment (COMAD)?

If USAC determines that it has committed funds in violation of program rules, it must reduce the previously issued funding commitment by deducting the amount attributable to the rule violation. This is known as a commitment adjustment or COMAD. Here are some examples of program rule violations that require a COMAD:

- USAC approved funding for ineligible services.
- USAC approved funding at a discount rate higher than what documentation supports.
- USAC approved funding for eligible services that required a technology plan, when no technology plan was in place.
- USAC approved funding when the competitive bidding requirements were not met.

How does USAC identify the need for a COMAD?

USAC must first determine whether funds were committed in violation of program rules. Information may surface in a number of ways such as:

- Program Integrity Assurance (PIA) reviews
- Invoice reviews
- Technology plan reviews
- Children's Internet Protection Act compliance reviews
- Appeal reviews
- Audits
- Whistleblower calls
- Site visits
- Investigations

If USAC receives or identifies information that suggests funds were committed in violation of program rules, our COMAD Team examines the original funding request and all available documentation to determine whether an error occurred. USAC may need to contact the applicant to clarify uncertainties in the record before making a decision to adjust a funding commitment.

When must funds be recovered?

When an investigation results in a COMAD, USAC reviews disbursements that have already been made on the funding request. USAC must recover funds if the total amount of funding disbursed

exceeds the adjusted funding commitment amount.

For example, USAC made a funding commitment of \$100 per month, or \$1,200 per year, on a funding request for monthly Internet access billed at the same rate each month. If USAC disbursed \$1,200 for that funding request but discovers after the end of the funding year that the applicant's technology plan expired in the middle of the funding year and another technology plan was not in place for the remainder of the year, USAC would reduce the funding commitment to \$600 and seek recovery of the \$600 that it had already disbursed.

NOTE: If the amount of funding disbursed is less than the adjusted funding commitment amount, USAC will continue to process properly filed invoices for that funding request.

What is a RIDF (Recovery of Improperly Disbursed Funds)?

If USAC discovers that funds were disbursed in error but the decision to commit the funds was correct, then USAC will seek recovery of the funds that were improperly disbursed. However, in this case, USAC will not adjust the commitment amount. Below are two examples of RIDFs:

- USAC was invoiced for services that have not yet been delivered.
- USAC was invoiced for services that were not approved on the Form 471 (if a service substitution was not requested or cannot be initiated internally from the information on the invoice).

In these cases, since USAC does not adjust the commitment amount, funds can still be disbursed for discounts on eligible services provided under the funding request. Once the improperly disbursed funds are returned to USAC, USAC will pay valid invoices submitted for that funding request.

When do RIDFs require recovery?

Always.

If a COMAD or RIDF is initiated, who gets the letter?

The letter is addressed to the party or parties responsible for the rule violation and a copy is sent to the other party or parties.

Who has to repay funds disbursed in error?

When funds must be recovered, the responsible party must repay the amount of the COMAD. USAC determines the responsible party using the guidelines laid out in paragraph 15 of the FCC's [Order on Reconsideration and Fourth Report and Order](#) (FCC 04-181, released July 30, 2004).

Examples of situations where USAC would generally attempt to recover funds from the service provider include:

- Failure to properly bill for supported services.
- Failure to deliver services within the relevant funding year.
- Delivering services that were not approved on the Form 471.

Examples of situations where USAC would generally attempt to recover funds from the applicant include:

- Violation of the competitive bidding requirements.
- Insufficient resources to make use of the supported services.
- Incorrect calculation of the discount percentage.
- Failure to pay the non-discount portion.

Each recovery situation is evaluated on its own merits.

What if both parties are responsible for a rule violation?

In this situation, USAC seeks recovery of the total from each party until the debt has been repaid. If both parties are at fault for separate violations, USAC seeks recovery of the funds from each party for the respective value of their violations. The applicant and service provider should work together to ensure that the debt is paid in a timely manner.

What is the notification process?

Once the responsible party or parties are identified, USAC issues a Notification of Commitment Adjustment Letter. This letter informs all parties of the COMAD and indicates whether recovery of funds is required. In the case of an RIDF, USAC issues a Notification of Improperly Disbursed Funds Letter. The [60-day appeal deadline](#) applies to the decisions in these letters.

If recovery of funds is required, USAC issues the first Demand Payment Letter (DPL) to the responsible party — with a copy to the other party — on the 61st day after the date on the above letter. If the debt is not repaid within the next 30 days, USAC issues a second DPL.

How should I repay the funds?

You should follow the instructions in your first DPL. Additional information about [Returning Funds to USAC](#) is available on USAC's website.

Does USAC seek recovery when there is a pending appeal?

No. USAC does not seek recovery when there is a pending appeal with USAC or the FCC. However, USAC may issue a DPL before it determines an appeal has been filed.

Once USAC determines that an appeal has been filed, it will hold the recovery in abeyance. However, if the result of the appeal indicates that recovery is required, recovery will resume from where it left off.

What happens if the debt is not repaid?

If the debt is not paid within 30 days of the first DPL, your entity and all entities sharing the same Taxpayer Identification Number will be considered to be in "Red Light" status and therefore subject to the penalties associated with the [Red Light Rule](#).

If the debt is not satisfied within 60 days of the second DPL, the debt will be transferred to the FCC consistent with the [requirements of the Debt Collections Improvement Act \(DCIA\)](#).

Tip: Update Your Contact Information for the Summer Months

We realize that applicants may be unavailable to answer questions about their applications during the summer. Between May 26 and September 8, PIA will not enforce the [deadlines for information requests](#) unless it makes a successful two-way contact with the contact person or other person designated by the contact person. If you will be away but you want work on your application to continue, you can [update your contact information](#) to provide alternate contact information or to designate another person to respond to PIA requests.

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