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Schools and Libraries News Brief

March 16, 2007

TIP OF THE WEEK: If you are a service provider interested in attending service provider training, please register as soon as possible because space is filling up quickly. You can register from the [2007 Service Provider Training Information page](#) on the USAC website.

Commitments for Funding Year 2006

Due to a technical issue, USAC will not release FY2006 Wave 47 this week or next week. This issue does not affect appeal waves for any funding year or original commitment waves for funding years before FY2006. It also does not affect the progress of application reviews. We expect this technical issue to be resolved shortly and we will resume weekly commitment wave announcements when that has occurred.

Remember that you can use either the [Automated Search of Commitments](#) or the [Data Retrieval Tool](#) to review commitment information.

Service Provider Training Registration Information Posted

Service providers can now register for the service provider training sessions to be held April 18 in Atlanta and April 25 in Chicago. You can find detailed information on both sessions – including hotel rates and locations – on the [2007 Service Provider Training Information page](#).

If you are interested in attending a training session, please register promptly. As of this morning, we have 148 registrations for Atlanta and 176 registrations for Chicago. We will close registration and start a waiting list for each training session once we have received 200 registrations.

For more information or to change or cancel your existing registration, you can send an email to usactraining@usac.org or call 410-757-0905. If your plans change and you know you will not be able to attend a session, please be considerate and cancel your registration so that we can open a slot for someone on the waiting list.

Overview of the PIA Services Review

In the [March 9 News Brief](#), we covered the two main components of the Program Integrity Assurance (PIA) review process – Initial Review and Final Review. The Services Review is part of the Initial Review process. In this issue we cover Services Review in more detail.

The Services Review is designed to get answers to the following questions:

1. What products and services are included in the funding request?
2. Are those products and services eligible for E-rate discounts?
3. Is the total amount of funding requested supported by those eligible products and services?

For many applications, the products and services are clearly and completely described and the Services Review can be completed without applicant contact. For some applications, the information provided on the Form 471 and the Item 21 Attachment is insufficient to make a determination and the reviewer must contact the applicant to obtain more information.

Let's take a look at the above questions one at a time:

1. What products and services are included in the funding request?

The first step of the Services Review is to verify the actual products and services included in your funding request. In your Item 21 Attachment, you describe the specific products and services that are part of that request. Your attachment should include a narrative description of each product or service, and you can also include additional details – a product specification, a sample bill, a copy of the contract you have with your service provider, or other documentation – that will help your reviewer understand exactly what you have included.

You should read and understand any documentation you include in your Item 21 Attachment. If you can't understand the documentation or the terminology in the documentation, ask your service provider for an explanation or more details.

Here are some common examples of situations where we may ask additional questions because your documentation is not clear:

- Your service provider used one or more acronyms in a product specification that are not common or standard industry terms.
- In your contract, your service provider used a phrase that matches – or appears to describe – an ineligible product, service, or use. For example, some service providers use the term “dark fiber” (ineligible) for fiber that actually includes modulating electronics that light the fiber and is therefore considered “lit fiber” (eligible).
- Your telephone bill has an “other charges” entry that does not allow the reviewer to clearly identify eligible and ineligible charges. (Note: This problem can be solved by including the page of the telephone bill that provides the detail of the “other charges.” Please don't include your entire telephone bill.)

In these and in many other situations, the reviewer may need to ask you questions to clarify the specification, function, and/or planned use or uses of the products and services that comprise your funding request in order to make a determination of eligibility.

2. Are those products and services eligible for E-rate discounts?

In general, the products and services will fall into one of four general categories as a result of the Services Review. These are:

- Eligible
- Conditionally eligible
- Partially eligible
- Not eligible

In a Services Review, the reviewer determines whether the products and services in a funding request are eligible for discounts. Remember that they must also be used by eligible entities in eligible locations for eligible purposes. Other parts of the Initial Review process will result in determinations of eligibility covering these issues. The Services Review concentrates on the eligibility of the specific products and services you are requesting.

If a product or service is determined to be eligible, the Services Review can move forward. However, if it appears to be conditionally eligible, partially eligible, or ineligible, additional review work must be done.

Conditional eligibility. Products and services may be eligible only when used under certain conditions – that is to say, in specific circumstances or for specific purposes. For example:

- A file server used as an email server is eligible; a file server used as an archive server is not eligible. (An archive server is used to store information such as non-email end-user files.)
- Basic maintenance is only eligible if it is for eligible products and services.

- A point-to-point digital transmission line between two school buildings is eligible in the Telecommunications Services category of service but is not eligible in the Internet Access category of service.

In such cases, the reviewer must determine the conditions under which the product or service will be used. Before your Services Review starts, you should review the entries for your products and services in the [FY2007 Eligible Services List](#), paying special attention to links to Special Eligibility Conditions and any other information that may affect eligibility.

Partial eligibility. In some cases, products and services may be partially eligible for discounts. For example, a file server may be used both as an email server (eligible) and an archive server (ineligible).

Generally, if a product or service has both eligible and ineligible components, applicants must do a [cost allocation](#). A cost allocation is easiest to perform when the separation between eligible and ineligible components can be clearly identified – for instance, when your service provider has provided separate pricing for each component of the product or service, your reviewer can determine the eligibility of each component.

In more complex situations, your cost allocation must be based on tangible criteria that reach a realistic result. There is not a single prescribed method to accomplish this. Below are some examples of situations you might encounter and cost allocation methodologies that USAC has accepted in the past:

- For file servers and other products that have multiple purposes, you can assume that each purpose represents an equal share of the cost. For example, if a file server is used as an email server (eligible), a firewall server (eligible), and an archive server (ineligible), you can allocate two-thirds of the cost for eligible uses and one-third for ineligible uses.
- Products and services that support equipment that is partially eligible should reflect that partial eligibility. So, if the equipment supported by an Uninterruptible Power Supply (UPS) is 60% eligible, the UPS can be considered 60% eligible as well.
- You can produce usage statistics for services that are accessible from both eligible and ineligible locations and allocate appropriately. For example, say that a telecommunications service is accessible from both a school administrative office (eligible) and a residential facility on the school grounds (ineligible). You can allocate costs for the percentage of the usage for the school administrative office based on documentation of current usage.

In some cases, service providers have submitted information on products and services to USAC and USAC has used that information to determine an appropriate cost allocation. You should check with your service provider to see if this has occurred for your specific products and services.

Sometimes the components that are ineligible cannot be easily separated from the eligible components. For example, a Private Branch Exchange (PBX) is a telephone switching system that often includes an ineligible intercom feature. If such a product or service meets the following conditions, USAC can consider this to be an [ancillary use of ineligible components](#) and a cost allocation is not required:

- A price for the ineligible component(s) cannot be determined and
- The product or service is the most cost-effective means of obtaining the eligible functionality without regard to the value of the ineligible functionality

For more information on specific cost-allocation situations, refer to [Cost Allocation Guidelines for Products and Services](#).

Ineligibility. In the end, USAC may determine that some of the products and services included in your funding request are not eligible for discounts. Generally, when USAC determines that products and services are not eligible, one of two actions occurs:

- If the products or services are eligible in another category of service, USAC may move the request to that category. This occurs most often with [on-premise Priority 1 equipment](#) that fails to meet the appropriate eligibility conditions. Such equipment, although ineligible as Telecommunications Services or Internet Access, may still be eligible as Internal Connections. Remember, though, that if USAC moves the request, the Form 470 cited for this funding request must be reviewed to determine if it was posted for Internal Connections.
- If the products and services are not eligible, USAC will remove them from the funding request. If the percentage of ineligible is too high, the applicant risks denial of the funding request. Also, if products and services have associated ineligible costs that cannot be determined using the documentation submitted, the reviewer will contact you about those associated costs.

3. Is the total amount of funding requested supported by those eligible products and services?

The final part of the Services Review is a review of the actual funding request amounts. If your reviewer cannot determine how the products and services requested relate to the dollars requested, he or she will contact you with questions. It is important that you clearly show – or be able to explain – exactly how you calculated the total funding request.

Once the Services Review work is complete, USAC can review each funding request for eligibility. As you can see from the comments above, USAC may determine that all, some, or none of the funding request is eligible for discounts. The decision for each product or service – including any allocations or determinations that differ from those supplied by the applicant – is documented in detail in case questions arise.

Because the Services Review is considered part of Initial Review, the [Form 471 Application Status tool](#) will show the status “Initial Review” during Services Review. And, as described in the [March 9 News Brief](#), an application moving through the Final Review and Quality Assurance processes may be sent back to Initial Review for more information or to correct mistakes.

Remember that during all stages of application review, you have the following options when you are responding to questions:

- You can ask for clarification if you don’t understand the question.
- You can ask for more time if you need it, keeping in mind that your reviewer will start work on other applications in the meantime and may not be able to return to yours quickly once you respond.
- You can ask for a manager if you are having difficulty.

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