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## Schools and Libraries News Brief

March 20, 2009

**TIP OF THE WEEK: If you have not certified your FY2009 Form 471 online or postmarked a paper certification by Monday, March 23, your Form 471 will not be considered in-window.** There are still over 400 uncertified Forms 471 that USAC cannot move in-window unless they are certified by the deadline.

### Commitments for Funding Year 2008

**Funding Year 2008.** USAC will release FY2008 Wave 44 Funding Commitment Decision Letters (FCDLs) March 24. This wave will include commitments for approved Internal Connections and Basic Maintenance requests at 88% and above and denials at 86% and below. As of March 20, FY2008 commitments total over \$2.18 billion.

On the day the FCDLs are mailed, you can check to see if you have a commitment by using USAC's [Automated Search of Commitments](#) tool.

### Additional Information on PIA Review

In the [March 13 SL News Brief](#), we covered the two main components of the Program Integrity Assurance (PIA) review process – Initial Review and Final Review. Because the PIA questions about services asked during Initial Review may seem confusing, we are covering this area in more detail.

### Products and services in the funding request

In your [Item 21 Attachment](#), you describe the specific products and services that are part of your funding request. Your attachment should include a narrative description of each product or service. You can also add 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.

The initial reviewer may need to ask you questions to clarify the specific type of services being received, the quantity and function of those services, and/or planned use(s) or users of the services in order to make a determination of eligibility.

### Eligibility of the products and services in the funding request

In general, the products and services will fall into one of four categories as a result of Initial Review: eligible, conditionally eligible, partially eligible, or ineligible.

**Eligible products and services.** The initial reviewer determines whether the products and services in a funding request are eligible for discounts based on entries in the [Eligible Services List](#) for the funding year and other program guidance. Eligible products and services also must be used by eligible entities in eligible locations for eligible purposes. Determinations on these issues occur during the Initial Review process.

If one or more of the products and/or services in a funding request appear to be conditionally eligible, partially eligible, or ineligible, the initial reviewer must perform additional review work. For example:

- **Certain charges on telephone bills are eligible and others are not.** PIA may ask for a breakdown of a line item on a telephone bill labeled "Miscellaneous Charges."

**Conditionally eligible products and services.** Products and services are conditionally eligible if they are eligible only when used under certain conditions – that is to say, in specific circumstances or for specific purposes. For example:

- **File servers are conditionally eligible depending on their use(s).** PIA will ask what functions a file server will perform if this information is not readily available on the Item 21 attachment.
- **Basic maintenance is only eligible if it is for eligible products and services.** PIA will ask for a list of the equipment being maintained – including make and model number – if this information is not readily available on the Item 21 attachment.
- **A point-to-point digital transmission line between two school or library buildings is eligible as Telecommunications Services but is conditionally eligible as Internet Access.** For an Internet Access point-to-point connection, PIA will ask if the line is being used for anything more than basic conduit access to the Internet and if it is the most cost-effective solution.

If a product or service is conditionally eligible, the initial reviewer must determine the conditions under which the product or service will be used. The reviewer will pay attention to Special Eligibility Conditions and any other information in the [Eligible Services List](#) that may affect eligibility.

**Partially eligible products and services.** 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 (an eligible use) and an archive server (an ineligible use).

Generally, if a product or service has both eligible and ineligible uses or components, applicants must provide a [cost allocation](#). A cost allocation is easiest to perform when the separation between eligible and ineligible components is clear – e.g., when your service provider prices each component of the product or service separately.

Cost allocations must be based on tangible criteria that reach realistic results. There is not a single prescribed method to accomplish this. Below are some examples of cost allocations that USAC has accepted in the past:

- For 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. For example, 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 to allocate services that are accessible from both eligible and ineligible locations. For example, say that a telecommunications service is accessible from both a school administrative office and a residential facility on the school grounds. You can allocate costs for the percentage of the usage for the school administrative office (eligible) and the residential facility (ineligible) based on documentation of current usage.
- Check with your service provider to see if USAC has already made a determination about cost allocation for a product or service based on information previously submitted to USAC by the service provider. Providing the SKU for that product or service to your reviewer can speed up the review process.

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 both of 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.

**Ineligible products and services.** USAC may determine that one or more of the products and services included in your funding request are not eligible for discounts. Your reviewer will contact you if your request must be modified or denied. You will have an opportunity to respond and your response will be included in the review of your application.

You generally have three options if PIA determines a product or service to be ineligible:

- USAC can remove the ineligible product or service from the original Funding Request Number (FRN).
- USAC can create a new FRN and move the ineligible product or service to that FRN.
- In certain cases, USAC can move the product or service (or the entire funding request) to another category of service. For example, if [on-premise Priority 1 equipment](#) fails to meet the appropriate eligibility conditions as Telecommunications Services or Internet Access, it may still be eligible as Internal Connections.

In the above situations, you can still appeal USAC's decision after you receive your FCDL. However, keep in mind that in the last situation, you must have posted a Form 470 for the new category of service for USAC to be able to approve your funding request. Remember also that, if you do not agree to move or remove ineligible products and services and they comprise 30% or more of the funding request, USAC will deny the funding request following the [30% Rule](#).

#### **Cost of the eligible products and services**

The initial reviewer will also review both the total and the breakdown of the amounts in your funding request(s). If your reviewer cannot determine how the products and services requested relate to the dollars requested, you will be contacted and asked to provide or explain your calculations.

Here are some additional suggestions:

- [Submit your Item 21 Attachment](#) if you have not already done so.
- **APPLICANTS:** Involve your service provider in the process. Your service provider may be able to answer review questions, supply network diagrams, prepare cost allocations, and provide other helpful information. Be sure that both you and your service provider share copies of any information provided to USAC.
- **SERVICE PROVIDERS:** if you know or suspect that a product or service you offer is conditionally or partially eligible, [contact USAC by email](#) to provide details for USAC's review. In this way PIA will have information on eligibility for that product or service available for all reviews.
- Submit only as much of a single telephone bill as the initial reviewer needs. For example, if the reviewer asks for supporting documentation for your monthly telephone charges, submit one monthly bill to substantiate your request. Also, if the reviewer asks for details about "Miscellaneous" or "Other" charges, submit only that part of your bill that itemizes those charges.
- If you need more time to complete a response, ask for it.
- If you feel you are not communicating successfully with your reviewer, ask to speak with a manager.

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