May 1, 2015

TIP OF THE WEEK: If you have not yet certified your timely filed FCC Form 471, do so on or before May 26, 2015 (see below). Forms certified after this date will be considered out of window.

Commitments for Funding Years 2014 and FY2013

Funding Year 2014. USAC will release Funding Year (FY) 2014 Wave 52 Funding Commitment Decision Letters (FCDLs) on May 6. This wave includes commitments for approved Priority 1 (Telecommunications Services and Internet Access) requests at all discount levels. As of May 1, FY2014 commitments total over $2.20 billion.

Funding Year 2013. USAC will release FY2013 Wave 88 FCDLs on May 7. This wave includes commitments for approved Priority 1 requests at all discount levels. As of May 1, FY2013 commitments total over $2.15 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.

Gift Rule Reminders

In order to provide for a fair and open competitive bidding process, the E-rate rules impose significant restrictions on the direct or indirect solicitation or acceptance of gifts, gratuities, favors, entertainment, loans or any other thing of value by E-rate applicants from service providers or prospective service providers. The rules also significantly restrict the gifts, gratuities, favors, entertainment or any other thing of value that E-rate service providers or prospective service providers can offer or provide E-rate applicants.

As a general matter, the gift rules under the E-rate program permit certain *de minimis* gifts. Such gifts are limited to the following:

- Modest refreshments not offered as part of a meal (e.g., coffee and doughnuts provided at a meeting)
- Items with little intrinsic value intended solely for presentation (e.g., certificates and plaques)
- Items worth $20 or less (e.g., meals, pencils, pens, T-shirts, and other items worth $20 or less, including meals) as long as those items do not exceed $50 per funding year per employee from any one source. "One source" includes all employees, officers, representatives, agents, independent contractors, and directors of a service provider.

Applicants may not accept gifts with a retail value greater than $20, which include but are not limited to gifts for attending seminars, marketing calls or trainings.

There are certain exceptions to the gift restrictions. We encourage applicants and service providers to review the rules and make sure they are familiar with the requirements and the exceptions.

FY2015 Extended Deadline for FCC Form 471 Certifications

Next Tuesday, USAC will issue just under 2,790 letters to applicants that submitted an FCC Form 471 online before the close of the filing window but that have not yet certified that form.

If you do not certify your timely filed FCC Form 471 on or before May 26, 2015, it will be considered out of window. You can certify your form online or on paper.

To certify your form either online or on paper, click the Certify button on the [FY2015 FCC Form 471 main page](#). Then enter your application number and security code, and click Log In.

To certify online, you must have a Personal Identification Number (PIN).

- Click the Certify Online button.
- Enter your PIN and affirm your compliance with the Terms and Conditions of using your PIN to certify a program form online.
- Click Certify.

If you do not have or cannot locate your PIN, you must certify on paper.

- Click the Display and Print Certification button.
- Print a copy of your certification page and sign and date it.
- Make a copy of your signed certification page for your records.
- Fax or mail your signed certification page to USAC using the contact information provided.

To verify that your form has been certified, go to the [FY2015 FCC Form 471 main page](#) and click the Display button. Enter your FCC Form 471 application number and click Display. The date your form was certified will appear in the upper right-hand corner of the form, to the right of the caption "Date Certified."

NOTE: If your timely filed form is certified after April 16 but on or before May 26, USAC will update the "Date Certified" entry after all paper certifications have been received and processed, thereby moving your form in-window.

More Information on the PIA Review Process

In [last week's SL News Brief](#), we covered the two main components of the Program Integrity Assurance (PIA) review process – Initial Review and Final Review. In this issue we cover in more detail some of the PIA questions about services asked during Initial Review.

Products and services in the funding request

In the Key Information section of an FCC Form 471 funding request, you provide a narrative description of the specific products and services for which you are requesting discounts. You may also have provided details to your PIA reviewer, such as a product specification or configuration in the narrative section of the funding request.

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. These determinations are first made during Initial Review.

If one or more of the products and/or services in a funding request appear to be conditionally eligible, partially eligible, or ineligible (see below), 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" or "Other Charges and Credits." In this case, you should provide only the relevant portion of a telephone bill that itemizes those charges and credits. It is not necessary to provide pages with the itemized calls.

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:

- **Servers are conditionally eligible depending on their use(s).** PIA will ask what function(s) a server will perform. Remember that servers are only eligible for FY2015 if they are used as caching servers.
- **Basic maintenance is only eligible if it is for eligible products and services.** Remember that the eligibility of some products and services has changed for FY2015.

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 all 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.

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. In some cases, your service provider may be able to provide the cost allocation for you.

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:

- 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 an ineligible facility. You can allocate costs for the percentage of the usage for the school administrative office (eligible) and the ineligible 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, an Internet access service often includes an ineligible spam filter. 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 separate 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 service type. 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. In general, if the service type is changed, an FCC Form 470 must have been posted for those services in that service type for USAC to be able to approve your funding request. The service types on the FCC Form 470 are grouped as follows:

- Category One, which can include any or all of the following: Telecommunications Services, Voice Services, and Internet Access
- Internal Connections and Managed Internal Broadband Services
- Basic Maintenance of Internal Connections.

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:

- 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 initial reviewer asks for details about "Miscellaneous" or "Other" charges, submit only that part of the bill that itemizes or explains 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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