



Highlights of [GAO-05-546T](#), a testimony before the Committee on Commerce, Science, and Transportation, U.S. Senate

Why GAO Did This Study

Since 1998, the Federal Communications Commission's (FCC) E-rate program has committed more than \$13 billion to help schools and libraries acquire Internet and telecommunications services. As steward of the program, FCC must ensure that participants use E-rate funds appropriately and that there is managerial and financial accountability surrounding the funds. This testimony is based on GAO's February 2005 report GAO-05-151, which reviewed (1) the effect of the current structure of the E-rate program on FCC's management of the program, including the applicability of the Antideficiency Act, (2) FCC's development and use of E-rate performance goals and measures, and (3) the effectiveness of FCC's program oversight mechanisms.

What GAO Recommends

In its report, GAO recommends that FCC (1) comprehensively determine which federal accountability requirements apply to E-rate; (2) establish meaningful E-rate performance goals and measures; and (3) take steps to reduce its backlog of appeals. In response, FCC stated that it does not concur with (1) because it maintains it has done this on a case-by-case basis. GAO continues to believe that major issues remain unresolved. FCC concurs with (2) and (3), noting that it is already taking steps on these issues.

www.gao.gov/cgi-bin/getrpt?GAO-05-546T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton at (202) 512-2834 or daltonp@gao.gov.

TELECOMMUNICATIONS

Application of the Antideficiency Act and Other Fiscal Controls to FCC's E-Rate Program

What GAO Found

FCC established E-rate as a multibillion-dollar program operating under an organizational structure unusual to the federal government, but never conducted a comprehensive assessment to determine which federal requirements, policies, and practices apply to the program, to the Universal Service Administrative Company, and to the Universal Service Fund itself. FCC has addressed these issues on a case-by-case basis, but this has put FCC and the E-rate program in the position of reacting to problems as they occur rather than setting up an organization and internal controls designed to ensure compliance with applicable laws.

With regard to the Antideficiency Act, we agree with FCC's conclusions that the Universal Service Fund is a permanent indefinite appropriation, is subject to that act, and that the issuance of E-rate funding commitment letters constitutes obligations for purposes of the act. We believe that Congress should consider either granting the Universal Service Fund a two- or three-year exemption from the Antideficiency Act or crafting a limited exemption that would provide management flexibility. For example, Congress could specify that FCC could use certain receivables or assets as budgetary resources. These more limited solutions would allow time for the National Academy of Public Administration to complete its study of the Universal Service Fund program and report its findings to FCC. Congress and FCC could then comprehensively assess, based on decisions concerning the structure of the program, which federal requirements, policies, and practices should apply to the fund and to any entities administering the program. It could then be determined whether a permanent and complete exemption from the Antideficiency Act is warranted.

FCC has not developed useful performance goals and measures for assessing and managing the E-rate program. The goals established for fiscal years 2000 through 2002 focused on the percentage of public schools connected to the Internet, but the data used to measure performance did not isolate the impact of E-rate funding from other sources of funding, such as state and local government. In its 2003 assessment of the program, OMB concluded that there was no way to tell whether the program has resulted in the cost-effective deployment and use of advanced telecommunications services. In response, FCC is working with OMB on developing new E-rate measures.

According to FCC officials, oversight of the program is primarily handled through agency rulemaking procedures, beneficiary audits, and appeals decisions. FCC's rulemakings, however, have often lacked specificity, which has affected the recovery of funds for program violations. FCC has also been slow to respond to beneficiary audit findings and make full use of them to strengthen the program. In addition, the small number of these audits completed to date do not provide a basis for accurately assessing the level of fraud, waste, and abuse occurring in the program. According to FCC officials, there is also a substantial backlog of E-rate appeals.