

AUDITOR OF STATE BULLETIN 2000-014

September 11, 2000

TO: ALL SCHOOL DISTRICT TREASURERS
ALL EDUCATIONAL SERVICE CENTER FINANCE OFFICERS
ALL LIBRARY CLERKS/TREASURERS
INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: The E-Rate Program: Single Audits and Revision to Accounting Requirements

Background

On May 7, 1997, the Federal Communications Commission (FCC) adopted a universal service order to implement the Telecommunications Act of 1996. The Order permits eligible schools and libraries to apply for telecommunication and related services ("E-Rate") discounts.

Single Audit Considerations

There has been uncertainty regarding whether E-rate discounts constitute Federal financial assistance, subject to the single audit and reporting requirements of ~~Office of Management and Budget Circular A-133~~. The State's cognizant agent recently concluded that the E-rate program is **not** subject to ~~OMB Circular A-133~~. School districts, educational service centers and libraries should not include the program on their schedules of Federal awards expenditures.

Single Audit guidance is now in 2 CFR 200.501.

E-Rate Information

The FCC formed the Schools and Libraries Corporation (SLC) to administer the E-Rate program. Schools and libraries must apply to SLC to participate in the program. More information regarding the E-rate program (including the application process) is available at the following:

Schools and Libraries Corporation
P.O. Box 4217
Iowa City, Iowa 52244-4217
Phone: 888/203-8100
Website: www.sl.universalservice.org

Schools and libraries must use the savings discounts for telecommunications services, Internet access or other eligible purposes. They should retain documentation supporting that the discounts were spent for eligible purposes.

Accounting for E-Rate

This Bulletin supersedes the E-Rate guidance provided in Auditor of State Bulletin 99-007. Due to the relatively small amounts involved, entities no longer need a separate fund to account for these credits or reimbursements.

Entities need not record discounts paid on their behalf, through the Universal Service Fund, as a receipt and utility disbursement.