AUDITOR OF STATE BULLETIN 2000-014
September 11, 2000

Updated August 2025 to clarify accounting for the E-Rate program under each of the available reimbursement methods.

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 guidance is now in 2 CFR 200.501.

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.

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.~~

The FCC allows for two reimbursement methods:
(1) Billed Entity Applicant Reimbursement (BEAR) in which the entity pays the vendor and subsequently seeks reimbursement from the FCC. Entities using the BEAR method must record E-Rate activity (expenditures and reimbursements) in their accounting system and on their financial statements.
(2) Service Provider Invoicing (SPI) in which the service provider invoices the FCC directly for program expenditures. Entities need not record discounts paid on their behalf under the SPI method, through the Universal Service Fund, as a receipt and utility disbursement.