



High Cost and Low Income

Audit Reports Briefing Book

Monday, April 23, 2018

2:00 p.m. - 5:00 p.m. Eastern Time

Universal Service Administrative Company Offices

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

**Universal Service Administrative Company
High Cost & Low Income Quarterly Meeting
Agenda**

<p>Monday, April 23, 2018 2:00 p.m. – 5:00 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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OPEN SESSION	Presenter	<i>Estimated Duration in Minutes</i>
1. High Cost & Low Income Committee Approvals		
A. Consent Items		
1. Approval of High Cost & Low Income Committee Minutes of January 29, 2018	Chair	5
2. Approval of Moving all <i>Executive Session</i> Items to <i>Executive Session</i>	Ernesto	5
B. Approval of High Cost Support Mechanism and Demand 3rd Quarter 2018 Programmatic Budget and Projection for the May 2, 2018 FCC Filing	Vic	10
2. High Cost Business Update	Vic	30
3. Lifeline Business Update	Michelle	30
4. Information on Seven USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports	Teleshia	10
5. High Cost & Low Income Committee Approvals		
A. Low Income Support Mechanism 3rd Quarter 2018 Budget and Demand Projection for the May 2, 2018 FCC Filing	Michelle	10

EXECUTIVE SESSION <i>Confidential – Executive Session Recommended</i>	Presenter	<i>Estimated Duration in Minutes</i>
6. Lifeline Business Update (<i>Continued</i>)		
A. Update on Implementation of the National Verifier	Michelle	20
B. Update on Implementation of the Lifeline Safeguards Plan	Michelle	15
7. High Cost Business Updates (<i>Continued</i>)		
A. Update on High Cost Verification	Vic	15
B. Mobility Fund II Demonstration	Vic	20
8. High Cost & Low Income Committee Approvals		
A. Approval of Procedure for Handling Appeals Concerning the High Cost and Low Income Support Mechanisms	Ernesto	10

Next USAC High Cost & Low Income Committee Meeting

Monday, July 23, 2018

2:00 - 4:30 p.m. Eastern Time

USAC Offices, Washington, DC

**Universal Service Administrative Company
High Cost & Low Income Committee Meeting**

INFORMATION ITEM – *Executive Session Option*

**Information on Seven USAC Internal Audit Division
Low Income Support Mechanism Beneficiary Audit Reports**

Information Presented

This information item provides a summary of the results for seven Low Income Support Mechanism Beneficiary Audit Reports listed in **Exhibit I** to this briefing paper. The audit reports where the entity disagreed with one or more audit findings can be found in **Attachments A – F** to item 4HCLI 042318 in the HCLI Briefing Book – Audit Reports.

Discussion

A general discussion of the findings contained in the draft audit reports is appropriately held in open session. To the extent that High Cost & Low Income Committee (Committee) members wish to discuss specific details of the audit findings, USAC staff recommends that, in accordance with the approved criteria and procedures for conducting USAC Board of Directors (Board) and committee business in *Executive Session*, this matter should be considered in *Executive Session* because discussion of specific audit plans, targets and/or techniques would constitute a *discussion of internal rules and procedures*.

Audits were performed on seven Low Income Support Mechanism beneficiaries. The purpose of the audits was to determine whether the beneficiaries complied with Federal Communications Commission (FCC) rules and program requirements. **Exhibit I** to this briefing paper highlights the results of the audits. The audit reports where the entity disagreed with one or more audit findings can be found in **Attachments A – F** to item 4HCLI 042318 in the HCLI Briefing Book – Audit Reports.

Summary of Low Income Support Mechanism Beneficiary Audit Reports

Entity Name, State	Number of Findings	Material Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
American Broadband & Telecommunications Company, Ohio	9	<ul style="list-style-type: none"> • Improper Recertification Process: De-enrollment Deadline. The Beneficiary did not de-enroll subscribers scheduled for de-enrollment within the required timeframes. • Lifeline Snapshot Date. The Beneficiary claimed subscribers on the Form 497 who were disconnected prior to the Lifeline Snapshot date. • Form 497 and NLAD Variance. The Beneficiary claimed subscribers on the audit period subscriber listing who were not active in the National Lifeline Accountability Database (NLAD). • Subscribers Outside of Service Area. The Beneficiary claimed subscribers on its Form 497 who reside outside of the service area designated by the state commission. • Duplicative Support. The Beneficiary claimed support on the Form 497 more than once for the same individual. 	\$559,903	\$186,972	\$117,872	N

Entity Name, State	Number of Findings	Material Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Q Link Wireless, LLC, Texas Attachment A	2	<ul style="list-style-type: none"> • Form 497 and State Database Variance. The Beneficiary claimed subscribers on the audit period Form 497 who were not active in the state database for Texas. 	\$864,986	\$7,511	\$7,511	Y
TracFone Wireless, Inc., Massachusetts Attachment B	2	<ul style="list-style-type: none"> • No Material Findings. 	\$907,629	\$241	\$241	Y
TracFone Wireless, Inc., Florida Attachment C	2	<ul style="list-style-type: none"> • No Material Findings. 	\$3,684,978	\$194	\$194	Y
Virgin Mobile USA, LP, New York Attachment D	3	<ul style="list-style-type: none"> • Form 497 and NLAD Variance. The Beneficiary claimed subscribers on the audit period subscriber listing who were not active in NLAD. 	\$2,682,084	\$6,522	\$6,522	Y
Shawnee Telephone Company, Illinois Attachment E	1	<ul style="list-style-type: none"> • No Material Findings. 	\$1,258	\$102	\$102	Y
Paul Bunyan Rural Telephone Cooperative, Minnesota Attachment F	1	<ul style="list-style-type: none"> • No Material Findings. 	\$1,690	\$0	\$0	Y
Total	20		\$8,702,528	\$201,542	\$132,442	

Attachment A

LI2016BE030



Q Link Wireless, LLC

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2016BE030

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Recovery Action..... 3

USAC Management Response 3

Purpose, Scope and Procedures..... 3

Detailed Audit Findings 5

Finding #1: 47 C.F.R. § 54.407(a) – Form 497 and State Database Variance 5

Finding #2: 47 C.F.R. § 54.201(b) – Subscribers Outside of Service Area 6

Criteria..... 9



EXECUTIVE SUMMARY

March 5, 2018

Mr. Issa A Asad, CEO
Q Link Wireless, LLC
499 East Sheridan Street
Suite 300
Dania, FL 33004-5501

Dear Mr. Asad,

DP George & Company, LLC (DPG) audited the compliance of Q Link Wireless, LLC (Beneficiary), study area code 449071, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

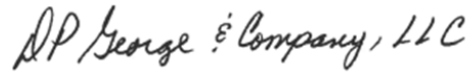
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed two detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

Handwritten signature in cursive script that reads "DP George & Company, LLC".

DP George & Company, LLC
Alexandria, Virginia

cc: Wayne Scott, Vice President, Internal Audit Division
Radha Sekar, USAC Chief Executive Officer
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.407(a) – Form 497 and State Database Variance. The Beneficiary claimed subscribers on the audit period Form 497 who were not active in the state database for Texas.	\$5,513	\$5,513
Finding #2: 47 C.F.R. § 54.201(b) – Subscribers Outside of Service Area. The Beneficiary claimed subscribers on its Form 497 who reside outside the service area designated by the state commission.	\$1,998	\$1,998
Total Net Monetary Effect	\$7,511	\$7,511

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for January 2016 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	93,512	\$864,986

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in Texas.

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary's Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) or comparable state database and the Beneficiary's data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary's enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also obtained and examined certification and/or recertification documentation for 55 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD or comparable state database.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 55 subscribers.

E. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

F. Non-Usage Process

DPG obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.407(a) – Form 497 and State Database Variance

CONDITION

DPG examined the Beneficiary’s subscriber data in the Low-Income Discount Administrator (LIDA) database to determine whether the Beneficiary reported the correct number of qualifying subscribers on the Form 497. DPG noted a variance of 596 subscribers between the January 2016 Form 497 subscriber listing (as of January 31) provided by the Beneficiary and the February 2016 LIDA database (as of February 1) provided by the Texas Public Utilities Commission (PUC). To confirm that the identified subscribers were not eligible, DPG provided a sample of 10 subscribers from the listing of 596 subscribers to the Texas PUC for confirmation. The Texas PUC compared the 10 samples against its December 2015 database information and indicated that 9 of the 10 subscribers were not present in the file as of December. As a majority of the subscribers in the sample were determined to be ineligible at December 2015, DPG considered all 596 subscribers identified in January 2016 to be ineligible.

Because the Texas PUC determines the qualifying low-income consumers via the LIDA database, the subscribers claimed on the Form 497 by the Beneficiary must agree with the subscribers identified as eligible in the LIDA database for the same period.

CAUSE

The Beneficiary did not have an adequate system in place for removing subscribers from its records who were subsequently identified by the Texas PUC as ineligible. DPG noted that five of the nine sampled-subscribers identified by the Texas PUC as ineligible were indicated as de-enrolled in June 2015, and the remaining four subscribers were indicated as not present in the December file without further detail provided.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$5,513	\$5,513

DPG calculated the monetary effect by multiplying the 596 ineligible subscribers claimed on the Form 497 by the support amount requested on the January 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. DPG also recommends that the Beneficiary implement an adequate system to remove subscribers from its records who are identified by the Texas PUC as ineligible.

BENEFICIARY RESPONSE

Q Link disputes the claim in Finding #1 on the basis that the Solix process is fundamentally flawed. In addition to the fact there is no published rule or documentation detailing the Solix verification process, ETC’s do not have access to real-time data from the LIDA database. Therefore, Q Link is unable to verify if a Lifeline subscriber was, or was not, present for the audit period of January 2016. Unlike the National Lifeline Accountability Database (NLAD), administered by USAC, the LIDA

database, administered by Solix, does not provide ETC's real-time access to subscriber data. Q Link supports an advanced network of systems to process all Texas Lifeline enrollments, including, but not limited to, its own proprietary database, Lexis Nexis, the Texas Health and Human Services Database, and the LIDA database. Supporting complex system integrations requires constant access to data to ensure consistency and accuracy. The only data Solix provides ETC's is a monthly output file based on an undocumented end-of-month verification process. By the time ETC's are provided the data it is already out of date and there is no known reconciliation or review process where an ETC has an opportunity to verify the accuracy of the data. Q Link is not disputing the requirement it can only claim Lifeline subscribers approved by Solix and asserts that it has the necessary process in place to de-enroll subscribers that are not approved by Solix. This is supported by the fact the 596 subscribers equal 0.6% of all subscribers claimed on the January 2016 497, which is de minimis and not representative of any negligence or non-compliance.

DPG RESPONSE

DPG held additional discussions with the Texas PUC and Solix to verify our understanding of the files made available to Beneficiaries to identify ineligible subscribers. DPG confirmed that before the January 2016 Form 497 filing, a December "Discount Out" file reflecting all eligible subscribers as of the end of December 2015 was made available to the Beneficiary through the secure FTP site used by the Texas PUC to administer the database. A comparison of either the previous month's "Discount Out" file or the subscriber listing against the December "Discount Out" file would identify ineligible subscribers removed since the prior month. The Texas PUC confirmed that 9 of the 10 sample subscribers provided by DPG for confirmation were not included in the December "Discount Out" file and should have been removed as of January 2016. For this reason, DPG's position on this finding remains unchanged.

Finding #2: 47 C.F.R. § 54.201(b) – Subscribers Outside of Service Area

CONDITION

DPG examined the Beneficiary's subscriber listing used to support the number of Lifeline subscribers claimed on the Form 497 to determine whether the Beneficiary provided services to subscribers who resided in the areas where it was designated as an ETC. The Texas PUC designated the ETC Service Area based on the exchange boundaries for the following Incumbent Local Exchange Carriers (ILECs) listed in the Beneficiary's ETC Designation Order: CenturyLink, Verizon SW, and Southwestern Bell. DPG noted that the Beneficiary claimed 216 subscribers on the Form 497 who resided outside of the Beneficiary's designated service area. These subscribers reside in Trinity, Pointblank, Livingston, Montgomery, Conroe, Seymour, Cumby, Buffalo, and West Point. DPG confirmed with the Texas PUC that these areas were outside the designated ETC service area.

CAUSE

The Beneficiary did not have an adequate process in place to ensure it claimed support for eligible subscribers who resided within its designated service area.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$1,998	\$1,998

DPG calculated the monetary effect by multiplying the number of subscribers outside the service area (216) by the average support amount requested on the January 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure it claims Lifeline Program support only for eligible subscribers who reside within the Beneficiary’s designated service area and maintains documentation to demonstrate compliance with the Rules.

BENEFICIARY RESPONSE

Q LINK did have adequate process in place to determine whether a subscriber is inside its ETC service area. As provided to DPG, Q LINK uses industry standards (LERG) to identify zip codes serviced under its ETC service area.

However, Q LINK reiterates as provided to DPG, the Zip Codes identified are serviced by Wire Centers included in Q LINK’s ETC Application, which was approved by the TX PUC. Q LINK employs the best available technology and methodology to determine its designated service area and only offer service to subscribers within said area. Using the Local Exchange Routing Guide (LERG), Q LINK obtains the specific list of Zip Codes serviced by the approved Wire Centers within its ETC designation. For the state of Texas, these Zip Codes were specific to the designated wire centers within the AT&T Texas, Verizon, and Centurylink service territories. The LERG is a comprehensive data product and industry standard reference produced by the Telcordia Routing Administration (TRA). The LERG is primarily used by telecommunications service providers operating within the North American Numbering Plan and was the source of the wire center to zip code conversion.

Using this methodology allows Q LINK to service the entirety of its approved service area and reach those subscribers who are eligible and for whom Q LINK has been designated as an ETC to offer this much needed benefit. The Zip Code level is the most granular level a wireless ETC can use to define its service area based on the available technology. If zip codes that are only partially located within an approved Wire Center are considered non-compliant, then a wireless ETC would be forced to exclude service within that entire zip code. Given the limitations imposed by the Texas State PUC’s requirement to approve ETCs based on Wire Centers, Q LINK has done its best to adequately exclude areas outside of its designated service area while at the same time ensuring it provides service throughout its entire service area. If USAC has a different methodology or technology available (shapefile?) to determine a wireless ETC’s approved service area below the Zip Code level, Q LINK would be grateful if USAC would share that with the Company to ensure that Q LINK can offer service to all eligible

subscribers and prevent offering service to subscribers in areas where coverage is ambiguous.

In addition to the adequate process Q LINK already has in place, Q LINK will make proper changes to satisfy this finding going forward by petitioning the Federal Communications Commission to expand Q LINK's designated service area in Texas to include all exchanges/zip codes where Q LINK's underlying carriers have wireless coverage in Texas.

DPG RESPONSE

The boundaries assigned by the state of Texas in the Beneficiary's ETC designation order are geographical boundaries established for the ILEC wire centers listed in Exhibit 5 of the Beneficiary's application. While using the LERG is a means of approximating the boundaries based on Zip Code, it is still the responsibility of the Beneficiary to understand the geographic ILEC boundaries established by its ETC designation order and to ensure that the subscribers for which it claims Lifeline support do not fall outside of those boundaries. While DPG uses electronic mapping software to determine those boundaries for its testing, a hard copy map of the ILEC boundaries is also available through the Texas Telephone Association. For these reasons, DPG's position on this finding remains unchanged.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.407(a) (2014)	“Universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier, based on the number of actual qualifying low-income consumers it serves.”
#2	47 C.F.R. § 54.407(b) (2014)	“An eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer served.”
#2	47 C.F.R. § 54.201(b) (2015)	“A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission.”
#2	Application of Q Link Wireless LLC for designation as an eligible telecommunications carrier in the state of Texas for the limited purpose of offering Lifeline, Docket No. 40681, Order No. 3, at 3 (Texas Public Utilities Commission, 2012) (ETC Designation Order)	“In accordance with Commission Staff's recommendation and for all the reasons stated therein, pursuant to the FTA § 214(e)(2) and P.U.C. SUBST. R. 26.418, the application of Q Link Wireless LLC for ETC designation for the limited purpose of providing Lifeline Service to consumers in the non-rural wire centers of the ILECs, AT&T Texas, Verizon, and Central Telephone of Texas d/b/a CenturyLink that are listed in Exhibit 5 of the application is APPROVED , effective as of the date Q Link files an affidavit showing that a copy of its application has been delivered to the Office of Public Utility Counsel.”

Attachment B

LI2016BE041



TracFone Wireless, Inc. (MA)

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2016BE041

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Recovery Action..... 3

USAC Management Response 3

Purpose, Scope and Procedures..... 3

Detailed Audit Findings 5

Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification
 Documentation Disclosures 5

Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance 8

Criteria..... 10



EXECUTIVE SUMMARY

March 5, 2018

Ms. Janet B. Morejon
TracFone Wireless, Inc.
9700 Northwest 112th Avenue
Miami, FL 33178-1353

Dear Ms. Morejon,

DP George & Company, LLC (DPG) audited the compliance of TracFone Wireless, Inc. (Beneficiary), study area code 119002, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

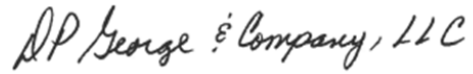
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed two detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

A handwritten signature in black ink that reads "DP George & Company, LLC". The signature is written in a cursive, slightly slanted style.

DP George & Company, LLC
Alexandria, Virginia

cc: Wayne Scott, Vice President, Internal Audit Division
Radha Sekar, USAC Chief Executive Office
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification Documentation Disclosures. The Beneficiary’s subscriber recertification documentation omitted required disclosures.	\$241	\$241
Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance. The Beneficiary failed to remove subscribers from NLAD within the required time frame.	\$0	\$0
Total Net Monetary Effect	\$241	\$241

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for June 2016 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	98,122	\$907,629

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in Massachusetts.

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary’s Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary’s data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary's enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also obtained and examined certification and/or recertification documentation for 55 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 55 subscribers.

E. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

F. Non-Usage Process

DPG obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification Documentation Disclosures

DPG examined certification documentation for a sample of 17 subscribers and recertification documentation for a sample of 38 subscribers to determine whether the documentation contained all of the required disclosures. We noted that subscribers could complete the recertification process either by phone, by mail, or on-line. Of the 38 recertification samples we selected, 6 were received by phone, 20 were received by mail, and 12 were received on-line. DPG noted that the required disclosures identified by 47 C.F.R. § 54.410(d)(1) are presented to subscribers responding via mail or telephone as part of a standard mailer. However, the mailer excludes the required 47 C.F.R. § 54.410(d)(1)(i) disclosure language that "willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program." DPG also noted an additional five disclosures identified in 47 C.F.R. § 54.410(d)(2) and (3) that are not covered for subscribers responding via mail. DPG has summarized all of the missing disclosures in the table below:

Disclosure	Number of Affected Subscribers Recertification Documentation
<i>Portion of disclosure omitted: "willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program." (47 C.F.R. § 54.410(d)(1)(i))</i>	26
<i>Portion of disclosure omitted: "The subscriber's date of birth." (47 C.F.R. § 54.410(d)(2)(v))</i>	20
<i>Portion of disclosure omitted: "The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number." (47 C.F.R. § 54.410(d)(2)(vi))</i>	20
<i>Portion of disclosure omitted: "If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits." (47 C.F.R. § 54.410(d)(2)(vii))</i>	20
<i>Portion of disclosure omitted: "If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in § 54.409, the number of individuals in his or her household." (47 C.F.R. § 54.410(d)(2)(viii))</i>	20
<i>Portion of disclosure omitted: "The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service." (47 C.F.R. § 54.410(d)(3)(vi))</i>	20
Mailer uses the wording "My household receives no other Lifeline support service."	
Total	26

The Beneficiary must list all of the required disclosures on the subscriber recertification documentation. Because the recertification documentation did not contain the required language, the subscribers did not receive the required disclosures. Therefore, DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing compliance with the required disclosures. The Beneficiary indicated that date of birth and the last four digits of the subscriber’s Social Security Number (SSN) were purposely left off the mailer in order to protect customer’s private information and that various states have contacted TracFone to not display private information on mailers.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$241	\$241

DPG calculated the monetary effect by multiplying the number of affected subscribers tested (26) by the support amount requested on the June 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the disclosure requirements established by the Rules and provide the proper certification disclosures to its subscribers, as required by the Rules.

BENEFICIARY RESPONSE

TracFone is aware of the auditor’s concern and supports 47 CFR 54.410(d)(1)(i) as allowed by the FCC, TracFone uses “punishable by law”, instead of using “imprisonment.” After this issue was identified in USAC Audit No LI2015BE038, TracFone updated its recertification forms to reflect the auditor’s recommendation. However, that update occurred after the audit period in the instant audit.

The findings reported that 16 recertification form types had portions of the disclosure omitted and did not meet the criteria set forth in 47 CFR 54.410(d) and (f). We have reviewed our re-certification forms and consulted with our counsel. Based upon that review, we have concluded that all re-certification forms used in connection with the 2014 re-certifications conform fully with the requirements of that rule. 47 CFR 54.410(d)(1)(i) through (vi) lists the information which must be communicated to subscribers on the documents which they sign. As indicated on the samples provided, all the information required by 47 CFR 54.410(d) have been communicated to each subscriber and appears on the form above the signature line. Further, 47 CFR 54.410(f)(2)(iii) requires the ETC to obtain “a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section” (emphasis added). Paragraph 2 contains three sections. Section 1 requires the carrier to “provide

the following information.” Section 2 requires “the prospective customer to provide the following information.” Section 3 requires “each prospective subscriber to certify, under penalty of perjury” (emphasis added) to certain statements. TracFone maintains that the items contained in Section 1 and 2 of 47 CFR 54.410(d) are requirements to provide or collect certain information, and only Section 3 of that paragraph contains “certification requirements.”

Further in support of disclosure for 47 CFR 54.410(d)(2)(v) and 47 CFR 54.410(d)(2)(vi), TracFone does not preprint the customer’s date of birth (DOB) or last 4 SSN during recertification in order to protect customer’s private information from being stolen from mailers. Customers provide their DOB and last 4 SSN on the initial certification applications and that information does not change. In addition, various states have contacted TracFone to not display private information on mailers.

In support of disclosure for 47 CFR 54.410(d)(3)(vi), TracFone supports the finding by the customer certification sample on item line #4 under penalty of perjury: “*My household receives no other lifeline service.*” After this issue was identified in USAC Audit No LI2015BE038, TracFone updated its recertification forms to reflect the auditor’s recommendation. However, that update occurred after the audit period in the instant audit.

DPG RESPONSE

DPG disagrees with the Beneficiary’s assertion in the second paragraph of its response that all of its 2014 recertification forms conformed fully with the requirements of 47 C.F.R. § 54.410(d).

DPG noted that the required disclosure at 47 C.F.R. § 54.410(d)(1)(i) was presented fully to subscribers who recertified via the on-line process. For subscribers recertifying via mail or phone, the mailer sent to the subscriber contained the following language:

“SafeLink is a Lifeline-supported service, a federal benefit. Lifeline is available for only one line per household (any individual or group of individuals who live together at the same address and share income and expenses). A household is not permitted to receive Lifeline benefits from multiple providers. Violation of this FCC rule will result in the Customer’s disenrollment from Lifeline. Lifeline is a nontransferable benefit and you may not transfer your benefits to another person.”

DPG did not find the disclosure “*willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program*” as part of this language. For this reason, DPG’s position regarding the 47 C.F.R. § 54.410(d)(1)(i) disclosure remains unchanged.

DPG understands the sensitivity of issues raised by providing or requesting date of birth and social security information vial mail. However, the requirements presented at 47 C.F.R. § 54.410(d)(2)(v) and (vi) apply to both the certification and recertification process. Using a mailing process to accomplish the required recertification process does not preclude the Beneficiary from complying with the requirements for subscribers to provide both date of birth and the last four digits of the subscriber’s social security number or the subscriber’s Tribal

identification number as part of the recertification process. For this reason, DPG's position regarding the 47 C.F.R. § 54.410(d)(2)(v) and (vi) disclosures remain unchanged.

When obtaining a signed certification from the subscriber, 47 C.F.R. § 54.410(f)(2)(iii) indicates that the Beneficiary must meet the requirements of 47 C.F.R. § 54.410(d). Those requirements indicate that the subscriber must provide the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits or the number of individuals in his or her household. Using recertification forms pre-populated with a subscriber's previously indicated eligibility program, as opposed to providing the entire list of eligibility programs, could be compliant with the Rules. However, the mailer presented to DPG did not appear to be pre-populated or otherwise restrict the subscriber's certification to only the eligibility program previously identified on the subscriber's initial certification form. For these reasons, DPG's position regarding the 47 C.F.R. § 54.410(d)(2)(vii) and (viii) disclosures remains unchanged.

The statements that prospective subscribers must certify to under 47 C.F.R. § 54.410(d)(3) are specific and the language used by the Beneficiary in its mailer does not follow the language presented at 47 C.F.R. § 54.410(d)(3)(vi) which states that "*the subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service.*" For this reason, DPG's position regarding the 47 C.F.R. § 54.410(d)(3)(vi) disclosure remains unchanged.

Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance

CONDITION

DPG compared the Beneficiary's subscriber data in the National Lifeline Accountability Database (NLAD) to the audit period subscriber listing to identify subscribers reflected in NLAD and not claimed on the June 2016 Form 497. DPG identified 12,517 subscribers in NLAD not claimed on the June 2016 Form 497. From these subscribers, DPG identified 2,237 customers who were previously scheduled for de-enrollment by the Beneficiary but were listed in NLAD as of the audit period. DPG also identified 1,060 subscribers who were previously listed as de-enrolled for non-usage. DPG selected a sample of 15 subscribers from these populations and requested an explanation and related support clarifying why the subscribers had not been removed from NLAD. The Beneficiary was not able to provide support indicating the subscribers were re-enrolled or an explanation for why the subscribers remained in the NLAD database for twelve of the fifteen subscribers selected. Based on the continued inclusion of the subscribers in NLAD, DPG determined that the subscribers were not de-enrolled properly in NLAD. The Beneficiary is required to submit subscriber de-enrollment information to NLAD within one business day of de-enrollment.

When performing the procedure above, DPG further noted that the Beneficiary applied a two percent error rate when submitting its Form 497 claim. The above procedure was performed using the base subscriber listing for June 2016 that reflected 100,124 subscribers. The Beneficiary claimed 98,122 subscribers on the June 2016 Form 497. Applying the two percent error rate resulted in an additional 2,002 subscribers who were recorded in NLAD but were not claimed on the audit period Form 497.

CAUSE

The Beneficiary did not have an adequate system in place for transmitting and/or updating its existing subscriber data in NLAD. The Beneficiary indicated that these subscribers were part of a de-enrollment job file and that at times these de-enrollment requests may result in NLAD failures. The Beneficiary indicated that its system continues to push these de-enrollments as a follow-up and that there are some cases where there will be a desync after various failure attempts to de-enroll subscribers in NLAD. The Beneficiary also indicated that it voluntarily applies a two percent error rate when submitting its Form 497 claims.

EFFECT

There is no monetary effect for the subscribers not de-enrolled in NLAD because these subscribers were not claimed on the Form 497. However, not de-enrolling customers in NLAD within the required timeframe creates the potential for subscribers to be flagged for duplicate resolution unnecessarily.

RECOMMENDATION

DPG recommends that the Beneficiary implement an adequate system to de-enroll subscribers in NLAD within one business day as required by the Rules.

BENEFICIARY RESPONSE

TracFone is aware of the auditor's concern and will work with the IT team to implement additional processes to further monitor and control the de-enrollments between TracFone and NLAD, and any points at which at times the interface communications between both systems may fail after various attempts to de-enroll.

As mentioned to the auditors, the variance between FORM 497 and the NLAD system is also due to a variety of other reasons including, customers that have not made the first call and therefore may not be claimed, customers with a warranty phone exchange, customers with a lost or stolen phone, or customers with other issues in the process of being addressed, all which would be reasons for a difference between TracFone's FCC FORM 497 and NLAD.

Furthermore, TracFone believes that the controls between the NLAD and ETC interfaces for de-enrollments will also improve in January 2018 with the new implementation of the USAC Lifeline Claims System (LCS), which will enhance the process for future FCC FORM 497 submissions for Lifeline reimbursements and identify those NLAD customers not being claimed by the ETC on FCC FORM 497, including the specific reason.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.407(b) (2014)	“An eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer served.”
#1	47 C.F.R. § 54.410(d) (2015)	<p>“(d) <i>Eligibility certifications.</i> Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber’s eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that in clear, easily understood language:</p> <p>(1) Provide the following information:</p> <p>(i) Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program;</p> <p>(2) Require each prospective subscriber to provide the following information:</p> <p>(v) The subscriber’s date of birth;</p> <p>(vi) The last four digits of the subscriber’s social security number, or the subscriber’s Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number;</p> <p>(vii) If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits;</p> <p>(viii) If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in § 54.409, the number of individuals in his or her household.</p> <p>(3) Require each prospective subscriber to certify, under penalty of perjury, that:</p> <p>(vi) The subscriber’s household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber’s household is not already receiving a Lifeline service.</p>
#1	47 C.F.R. § 54.410(f)(1), (2)(iii) (2015)	“ <i>Annual eligibility re-certification process.</i> All eligible telecommunications carriers must annually re-certify all subscribers except for subscribers in states where a state Lifeline administrator or other state agency is responsible for re-certification of subscribers’ Lifeline eligibility. In order to re-certify a subscriber’s eligibility, an eligible telecommunications carrier must confirm a subscriber’s current eligibility to receive Lifeline by: ... Obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section.”
#2	47 C.F.R. §	“(b) The National Lifeline Accountability Database. In order to receive

Finding	Criteria	Description
	54.404(b)(6), (8), (10) (2015)	<p>Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements: ...</p> <p>(6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber’s full name; full residential address; date of birth and the last four digits of the subscriber’s Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline....</p> <p>(8) All eligible telecommunications carriers must update an existing Lifeline subscriber’s information in the Database within ten business days of receiving any change to that information, except as described in paragraph (b)(10) of this section....</p> <p>(10) When an eligible telecommunications carrier de-enrolls a subscriber, it must transmit to the Database the date of Lifeline service de-enrollment within one business day of de-enrollment.”</p>

Attachment C

LI2016BE042



TracFone Wireless, Inc. (FL)

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2016BE042

TABLE OF CONTENTS

Executive Summary	1
Audit Results and Recovery Action.....	3
USAC Management Response	3
Purpose, Scope and Procedures.....	3
Detailed Audit Findings	5
Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification Documentation Disclosures	5
Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance	8
Criteria.....	10



EXECUTIVE SUMMARY

March 5, 2018

Ms. Janet B. Morejon
TracFone Wireless, Inc.
9700 Northwest 112th Avenue
Miami, FL 33178-1353

Dear Ms. Morejon,

DP George & Company, LLC (DPG) audited the compliance of TracFone Wireless, Inc. (Beneficiary), study area code 219003, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

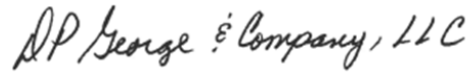
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed two detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

A handwritten signature in black ink that reads "DP George & Company, LLC". The signature is written in a cursive, slightly slanted style.

DP George & Company, LLC
Alexandria, Virginia

cc: Wayne Scott, Vice President, Internal Audit Division
Radha Sekar, USAC Chief Executive Office
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification Documentation Disclosures. The Beneficiary’s subscriber recertification documentation omitted required disclosures.	\$194	\$194
Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance. The Beneficiary failed to remove subscribers from NLAD within the required time frame.	\$0	\$0
Total Net Monetary Effect	\$194	\$194

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for June 2016 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	398,376	\$3,684,978

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in Florida.

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary’s Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary’s data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary's enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also obtained and examined certification and/or recertification documentation for 55 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 55 subscribers.

E. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

F. Non-Usage Process

DPG obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification Documentation Disclosures

DPG examined certification documentation for a sample of 28 subscribers and recertification documentation for a sample of 27 subscribers to determine whether the documentation contained all of the required disclosures. We noted that subscribers could complete the recertification process either by phone, by mail, or on-line. Of the 27 recertification samples we selected, 5 were received by phone, 16 were received by mail, and 6 were received on-line. DPG noted that the required disclosures identified by 47 C.F.R. § 54.410(d)(1) are presented to subscribers responding via mail or telephone as part of a standard mailer. However, the mailer excludes the required 47 C.F.R. § 54.410(d)(1)(i) disclosure language that "willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program." DPG also noted an additional five disclosures identified in 47 C.F.R. § 54.410(d)(2) and (3) that are not covered for subscribers responding via mail. DPG has summarized all of the missing disclosures in the table below:

Disclosure	Number of Affected Subscribers Recertification Documentation
<i>Portion of disclosure omitted: "willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program."(47 C.F.R. § 54.410(d)(1)(i))</i>	21
<i>Portion of disclosure omitted: "The subscriber's date of birth."(47 C.F.R. § 54.410(d)(2)(v))</i>	16
<i>Portion of disclosure omitted: "The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number."(47 C.F.R. § 54.410(d)(2)(vi))</i>	16
<i>Portion of disclosure omitted: "If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits." (47 C.F.R. § 54.410(d)(2)(vii))</i>	16
<i>Portion of disclosure omitted: "If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in § 54.409, the number of individuals in his or her household." (47 C.F.R. § 54.410(d)(2)(viii))</i>	16
<i>Portion of disclosure omitted: "The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service." (47 C.F.R. § 54.410(d)(3)(vi))</i> Mailer uses the wording "My household receives no other Lifeline support service."	16
Total	21

The Beneficiary must list all of the required disclosures on the subscriber recertification documentation. Because the recertification documentation did not contain the required language, the subscribers did not

receive the required disclosures. Therefore, DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing compliance with the required disclosures. The Beneficiary indicated that date of birth and the last four digits of the subscriber’s SSN were purposely left off the mailer in order to protect customer’s private information and that various states have contacted TracFone to not display private information on mailers.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$194	\$194

DPG calculated the monetary effect by multiplying the number of affected subscribers tested (21) by the support amount requested on the June 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the disclosure requirements established by the Rules and provide the proper certification disclosures to its subscribers, as required by the Rules.

BENEFICIARY RESPONSE

TracFone is aware of the auditor’s concern and supports 47 CFR 54.410(d)(1)(i) as allowed by the FCC, TracFone uses “punishable by law”, instead of using “imprisonment.” After this issue was identified in USAC Audit No LI2015BE038, TracFone updated its recertification forms to reflect the auditor’s recommendation. However, that update occurred after the audit period in the instant audit.

The findings reported that 16 recertification form types had portions of the disclosure omitted and did not meet the criteria set forth in 47 CFR 54.410(d) and (f). We have reviewed our re-certification forms and consulted with our counsel. Based upon that review, we have concluded that all re-certification forms used in connection with the 2014 re-certifications conform fully with the requirements of that rule. 47 CFR 54.410(d)(1)(i) through (vi) lists the information which must be communicated to subscribers on the documents which they sign. As indicated on the samples provided, all the information required by 47 CFR 54.410(d) have been communicated to each subscriber and appears on the form above the signature line. Further, 47 CFR 54.410(f)(2)(iii) requires the ETC to obtain “a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section” (emphasis added). Paragraph 2 contains three sections. Section 1 requires the carrier to “provide the following information.” Section 2 requires “the prospective customer to provide the following information.” Section 3 requires “each prospective subscriber to certify, under penalty of perjury” (emphasis added) to certain statements. TracFone maintains that the items contained in Section 1 and 2 of 47 CFR 54.410(d) are requirements to

provide or collect certain information, and only Section 3 of that paragraph contains “certification requirements.”

Further in support of disclosure for 47 CFR 54.410(d)(2)(v) and 47 CFR 54.410(d)(2)(vi), TracFone does not preprint the customer’s date of birth (DOB) or last 4 SSN during recertification in order to protect customer’s private information from being stolen from mailers. Customers provide their DOB and last 4 SSN on the initial certification applications and that information does not change. In addition, various states have contacted TracFone to not display private information on mailers.

In support of disclosure for 47 CFR 54.410(d)(3)(vi), TracFone supports the finding by the customer certification sample on item line #4 under penalty of perjury: *“My household receives no other lifeline service.”* After this issue was identified in USAC Audit No LI2015BE038, TracFone updated its recertification forms to reflect the auditor’s recommendation. However, that update occurred after the audit period in the instant audit.

DPG RESPONSE

DPG disagrees with the Beneficiary’s assertion in the second paragraph of its response that all of its 2014 recertification forms conformed fully with the requirements of 47 C.F.R. § 54.410(d).

DPG noted that the required disclosure at 47 C.F.R. § 54.410(d)(1)(i) was presented fully to subscribers who recertified via the on-line process. For subscribers recertifying via mail or phone, the mailer sent to the subscriber contained the following language:

“SafeLink is a Lifeline-supported service, a federal benefit. Lifeline is available for only one line per household (any individual or group of individuals who live together at the same address and share income and expenses). A household is not permitted to receive Lifeline benefits from multiple providers. Violation of this FCC rule will result in the Customer’s disenrollment from Lifeline. Lifeline is a nontransferable benefit and you may not transfer your benefits to another person.”

DPG did not find the disclosure *“willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program”* as part of this language. For this reason, DPG’s position regarding the 47 C.F.R. § 54.410(d)(1)(i) disclosure remains unchanged.

DPG understands the sensitivity of issues raised by providing or requesting date of birth and social security information vial mail. However, the requirements presented at 47 C.F.R. § 54.410(d)(2)(v) and (vi) apply to both the certification and recertification process. Using a mailing process to accomplish the required recertification process does not preclude the Beneficiary from complying with the requirements for subscribers to provide both date of birth and the last four digits of the subscriber’s social security number or the subscriber’s Tribal identification number as part of the recertification process. For this reason, DPG’s position regarding the 47 C.F.R. § 54.410(d)(2)(v) and (vi) disclosures remain unchanged.

When obtaining a signed certification from the subscriber, 47 C.F.R. § 54.410(f)(2)(iii) indicates that the Beneficiary must meet the requirements of 47 C.F.R. § 54.410(d). Those requirements indicate that the subscriber must provide the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits or the number of individuals in his or her household.

Using recertification forms pre-populated with a subscriber's previously indicated eligibility program, as opposed to providing the entire list of eligibility programs, could be compliant with the Rules. However, the mailer presented to DPG did not appear to be pre-populated or otherwise restrict the subscriber's certification to only the eligibility program previously identified on the subscriber's initial certification form. For these reasons, DPG's position regarding the 47 C.F.R. § 54.410(d)(2)(vii) and (viii) disclosures remains unchanged.

The statements that prospective subscribers must certify to under 47 C.F.R. § 54.410(d)(3) are specific and the language used by the Beneficiary in its mailer does not follow the language presented at 47 C.F.R. § 54.410(d)(3)(vi) which states that *"the subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service."* For this reason, DPG's position regarding the 47 C.F.R. § 54.410(d)(3)(vi) disclosure remains unchanged.

Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance

CONDITION

DPG compared the Beneficiary's subscriber data in the National Lifeline Accountability Database (NLAD) to the audit period subscriber listing to identify subscribers reflected in NLAD and not claimed on the June 2016 Form 497. DPG identified 150,300 subscribers in NLAD not claimed on the June 2016 Form 497. From these subscribers, DPG identified 21,082 customers who were previously scheduled for de-enrollment by the Beneficiary but were listed in NLAD as of the audit period. DPG also identified 1,705 subscribers who were previously listed as de-enrolled for non-usage. DPG selected a sample of 15 subscribers from these populations and requested an explanation and related support clarifying why the subscribers had not been removed from NLAD. The Beneficiary was not able to provide support indicating the subscribers were re-enrolled or an explanation for why the subscribers remained in the NLAD database for fourteen of the fifteen subscribers selected. Based on the continued inclusion of the subscribers in NLAD, DPG determined that the subscribers were not de-enrolled properly in NLAD. The Beneficiary is required to submit subscriber de-enrollment information to NLAD within one business day of de-enrollment.

When performing the procedure above, DPG further noted that the Beneficiary applied a two percent error rate when submitting its Form 497 claim. The above procedure was performed using the base subscriber listing for June 2016 that reflected 406,506 subscribers. The Beneficiary claimed 398,376 subscribers on the June 2016 Form 497. Applying the 2 % error rate resulted in an additional 8,130 subscribers who were recorded in NLAD but were not claimed on the audit period Form 497.

CAUSE

The Beneficiary did not have an adequate system in place for transmitting and/or updating its existing subscriber data in NLAD. The Beneficiary indicated that these subscribers were part of a de-enrollment job file and that at times these de-enrollment requests may result in NLAD failures. The Beneficiary indicated that its system continues to push these de-enrollments as a follow-up and that there are some cases where there will be a desync after various failure attempts to de-enroll them in NLAD. The Beneficiary also indicated that it voluntarily applies a two percent error rate when submitting its Form 497 claims.

EFFECT

There is no monetary effect for the subscribers not de-enrolled in NLAD because these subscribers were not claimed on the Form 497. However, not de-enrolling customers in NLAD within the required timeframe creates the potential for subscribers to be flagged for duplicate resolution unnecessarily.

RECOMMENDATION

DPG recommends that the Beneficiary implement an adequate system to de-enroll subscribers in NLAD within one business day as required by the Rules.

BENEFICIARY RESPONSE

TracFone is aware of the auditor's concern and will work with the IT team to implement additional processes to further monitor and control the de-enrollments between TracFone and NLAD, and any points at which at times the interface communications between both systems may fail after various attempts to de-enroll.

As mentioned to the auditors, the variance between FORM 497 and the NLAD system is also due to a variety of other reasons including, customers that have not made the first call and therefore may not be claimed, customers with a warranty phone exchange, customers with a lost or stolen phone, or customers with other issues in the process of being addressed, all which would be reasons for a difference between TracFone's FCC FORM 497 and NLAD.

Furthermore, TracFone believes that the controls between the NLAD and ETC interfaces for de-enrollments will also improve in January 2018 with the new implementation of the USAC Lifeline Claims System (LCS), which will enhance the process for future FCC FORM 497 submissions for Lifeline reimbursements and identify those NLAD customers not being claimed by the ETC on FCC FORM 497, including the specific reason.

CRITERIA

Finding	Criteria	Description
#1	47 C.F.R. § 54.407(b) (2014)	"An eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer served."
#1	47 C.F.R. § 54.410(d) (2015)	<p>"(d) <i>Eligibility certifications.</i> Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber's eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that in clear, easily understood language:</p> <p>(1) Provide the following information:</p> <p>(i) Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program;</p> <p>(2) Require each prospective subscriber to provide the following information:</p> <p>(v) The subscriber's date of birth;</p> <p>(vi) The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number;</p> <p>(vii) If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits;</p> <p>(viii) If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in § 54.409, the number of individuals in his or her household.</p> <p>(3) Require each prospective subscriber to certify, under penalty of perjury, that:</p> <p>(vi) The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service."</p>
#1	47 C.F.R. § 54.410(f)(1), (2)(iii) (2015)	" <i>Annual eligibility re-certification process.</i> All eligible telecommunications carriers must annually re-certify all subscribers except for subscribers in states where a state Lifeline administrator or other state agency is responsible for re-certification of subscribers' Lifeline eligibility. In order to re-certify a subscriber's eligibility, an eligible telecommunications carrier must confirm a subscriber's current eligibility to receive Lifeline by: ... Obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section."
#2	47 C.F.R. § 54.404(b)(6), (8), (10)	"(b) The National Lifeline Accountability Database. In order to receive Lifeline support, eligible telecommunications carriers operating in

Finding	Criteria	Description
	(2015)	<p>states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements: ...</p> <p>(6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber’s full name; full residential address; date of birth and the last four digits of the subscriber’s Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline....</p> <p>(8) All eligible telecommunications carriers must update an existing Lifeline subscriber’s information in the Database within ten business days of receiving any change to that information, except as described in paragraph (b)(10) of this section....</p> <p>(10) When an eligible telecommunications carrier de-enrolls a subscriber, it must transmit to the Database the date of Lifeline service de-enrollment within one business day of de-enrollment.”</p>

Attachment D

LI2016BE044



Virgin Mobile USA, LP (NY)

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2016BE044

TABLE OF CONTENTS

Executive Summary 1

Audit Results and Recovery Action..... 3

USAC Management Response 3

Purpose, Scope and Procedures..... 3

Detailed Audit Findings 5

Finding #1: 47 C.F.R. § 54.404(b) – Form 497 and NLAD Variances 5

Finding #2: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Certification and Recertification Documentation Disclosures..... 6

Finding #3: 47 C.F.R. § 54.416(b) – Inaccurate Form 555 Reporting..... 10

Criteria..... 11



EXECUTIVE SUMMARY

January 15, 2018

Mr. Andrew Lancaster
Virgin Mobile USA, LP
6391 Sprint Pkwy
Overland Park, KS 66251-2400

Dear Mr. Lancaster,

DP George & Company, LLC (DPG) audited the compliance of Virgin Mobile USA, LP (Beneficiary), study area code 159018, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

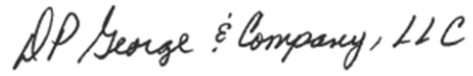
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed three detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

Handwritten signature in cursive script that reads "DP George & Company, LLC".

DP George & Company, LLC
Alexandria, Virginia

cc: Wayne Scott, Vice President, Internal Audit Division
Radha Sekar, USAC Chief Executive Officer
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.404(b) – Form 497 and NLAD Variance. The Beneficiary claimed subscribers on the audit period subscriber listing who were not active in NLAD.	\$6,235	\$6,235
Finding #2: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Certification and Recertification Documentation Disclosures. The Beneficiary’s subscriber certification and recertification documentation omitted required disclosures.	\$287	\$287
Finding #3: 47 C.F.R. § 54.416(b) – Inaccurate Form 555 Reporting. The results reported on the January Form 555 were not supported by the Beneficiary’s detailed non-usage results.	\$0	\$0
Total Net Monetary Effect	\$6,522	\$6,522

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

Voluntary reduction on the FCC Form 497 does not give the carrier safe harbor for recovery of support due to audit findings. Since Virgin Mobile did not provide the auditor with a subscriber listing with the Form 497, USAC cannot conclude whether or not the subscribers found as exceptions in the audit where in fact claimed. For this reason, USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the finding.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for June 2016 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	289,955	\$2,682,084

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in New York.

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary's Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary's data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary's enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also obtained and examined certification and/or recertification documentation for 55 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 55 subscribers.

E. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

F. Non-Usage Process

DPG obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.404(b) – Form 497 and NLAD Variances

CONDITION

DPG examined the Beneficiary's subscriber data in the NLAD to determine whether the Beneficiary reported the correct number of qualifying subscribers on the Form 497. Using the enrollment and de-enrollment dates in NLAD, DPG compared the subscribers who were identified as active in NLAD during the same time period used by the Beneficiary to determine the number of subscribers to report on its Form 497. DPG noted 674 subscribers claimed on the Form 497 and not enrolled in NLAD as of the audit period.

Because the Beneficiary is required to transmit requisite information for each new and existing Lifeline subscriber to NLAD (including de-enrollments within one business day of de-enrollment), the number of subscribers claimed on the Form 497 must not exceed the number of subscribers the Beneficiary identified as active in NLAD for the same period. The Beneficiary must also report the actual number of subscribers on the Form 497 based on subscribers who have met all requirements to be eligible for Lifeline Program support and for whom the Beneficiary provides Lifeline service.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to report the correct number of qualifying Lifeline subscribers on the Form 497 and for transmitting and/or updating its new and existing subscriber data in NLAD.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$6,235	\$6,235

DPG calculated the monetary effect by multiplying the 674 subscribers claimed on the Form 497 and not recorded in NLAD by the average support amount requested on the June 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount recommended in the Effect section above. DPG also recommends that the Beneficiary implement an adequate system to collect, track, and report the correct number of subscribers on the Form 497 and transmit and/or update its new and existing subscriber data in NLAD, and maintain adequate documentation to demonstrate compliance with the Rules.

BENEFICIARY RESPONSE

Virgin Mobile agrees in part and disagrees in part with this finding.

Virgin Mobile agrees that 674 subscribers claimed on the Form 497 and not enrolled in NLAD as of the audit period.

Virgin Mobile disagrees that this should be considered a monetary finding.

As noted in the subscriber file provided to DPG in this audit, there is a 2% holdback in the subsidy filing. As previously noted to USAC and DPG, since September 2014, Virgin Mobile has instituted a voluntary reduction of two percent of its subscriber count in its monthly Form 497 filings. This voluntary reduction, implemented after discussion with the FCC and USAC, is intended to protect the integrity of the Universal Service Fund and ensure that Virgin Mobile does not over-collect as the result of any unintentional administrative oversight including during the implementation of NLAD. Because of this voluntary reduction, the number claimed on Form 497 (and resulting subsidy) is 98% of the total population. Because Virgin Mobile's voluntary 2% reduction is intended to be an offset against unintentional administrative errors, the holdback cannot be linked to particular customers. If Virgin Mobile is aware that a specific subscriber is not, in fact, eligible for the Lifeline benefit, it would not include such subscriber in its Form 497 at all.

This is a perfect example of why the 2% holdback is used: to ensure Virgin Mobile does not over-collect as a result of any unintentional administrative oversight during the implementation of NLAD. The 100% count of New York eligible subscribers for June 2016 was 295,872. Deducting the 2% holdback resulted in a subsidy claim for 289,955 subscribers, 5,917 subscribers less than the 100% total. The 674 subscribers noted in this finding should be applied against the 5,917 subscribers withheld and no monetary finding should be taken.

DPG RESPONSE

DPG is aware of the 2% holdback policy implemented by Virgin Mobile. However, it is not possible for DPG to determine with certainty whether the estimated holdback amount for the audit period was sufficient to cover the amount of any unintentional over-collection for the month plus the support for the 674 subscribers identified by the finding. For this reason, DPG maintains that USAC management should pursue recovery of the amount identified by the finding.

Finding #2: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Certification and Recertification Documentation Disclosures

CONDITION

DPG examined certification documentation for a sample of 26 subscribers and recertification documentation for a sample of 29 subscribers to determine whether the documentation contained all of the required disclosures. We determined that the documentation provided for the 26 certifications and 5 of the recertifications did not clearly present all of the required disclosures found in 47 C.F.R. § 54.410(d) to the subscribers.

We noted that the certification documentation reviewed consisted of two types of documentation, a Mobile Application Form and a Paper Form. For the 16 Mobile Application Forms provided, there was no section contained in the documentation that presented the disclosures required in 47 C.F.R. § 54.410(d)(1). These disclosures (except for 47 C.F.R. § 54.410(d)(1)(iii)) are presented in the Paper Form by the following statement:

“IMPORTANT INFORMATION ABOUT THE LIFELINE PROGRAM: Assurance Wireless is a Lifeline supported service. Lifeline is a federal benefit, and only eligible subscribers may enroll. Customers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program. One Lifeline discounted service (landline or wireless) is available per household. A household is not permitted to receive Lifeline benefits from multiple providers. Violation of the one-per-household rule constitutes a violation of federal rules and will result in de-enrollment from the Lifeline program and potential prosecution by the United States government. Lifeline is a non-transferable benefit. Service cannot be transferred to any individual, including another eligible, low income consumer.”

When reviewing the Paper Forms, DPG noted that the “Important Information About the Lifeline Program” disclosure above does not contain the 47 C.F.R. § 54.410(d)(1)(iii) language providing the definition of a household. The language is contained in the Beneficiary’s Independent Economic Household form however, that form is not presented to all subscribers. DPG also noted that 47 C.F.R. § 54.410(d)(3)(viii) requires the subscriber to certify under penalty of perjury that “The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law”. There is no certification on the paper form requiring the subscriber to acknowledge this requirement. As a comparison, the Beneficiary includes the language below on its Mobile Application Forms:

“I acknowledge that providing false or fraudulent information to receive Lifeline benefits is punishable by law.”

When reviewing the recertification forms provided, DPG noted that the four Web Confirmations provided used the same “Important Information About the Lifeline Program” disclosure as the Paper Forms which did not include the definition of a household. DPG also noted that the one Paper Recertification Form reviewed did not include 47 C.F.R. § 54.410(d)(3)(viii) acknowledgement regarding false or fraudulent information. DPG has summarized all of the missing disclosures in the table below:

Disclosure	Number of Affected Subscribers Certification Documentation	Number of Affected Subscribers Recertification Documentation
<i>Portion of disclosure omitted: “Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program” (47 C.F.R. § 54.410(d)(1)(i))</i>	18	0
<i>Portion of disclosure omitted: “Only one Lifeline service is available per household” (47 C.F.R. § 54.410(d)(1)(ii))</i>	18	0
<i>Portion of disclosure omitted: “A household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together and share income and expenses.” (47 C.F.R. § 54.410(d)(1)(iii))</i>	26	4
<i>Portion of disclosure omitted: “A household is not permitted to receive Lifeline benefits from multiple providers” (47 C.F.R. § 54.410(d)(1)(iv))</i>	18	0
<i>Portion of disclosure omitted: “Violation of the one-per-household limitation constitutes a violation of the Commission’s rules and will result in the subscribers de-enrollment from the program” (47 C.F.R. § 54.410(d)(1)(v))</i>	18	0

Disclosure	Number of Affected Subscribers Certification Documentation	Number of Affected Subscribers Recertification Documentation
<i>Portion of disclosure omitted: "Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person" (47 C.F.R. § 54.410(d)(1)(vi))</i>	18	0
<i>Portion of disclosure omitted: "The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law" (47 C.F.R. § 54.410(d)(3)(viii))</i>	8	1
Total	26	5

The Beneficiary must list all of the required disclosures on the subscriber certification and recertification documentation. Because the documentation provided did not contain the required language, the subscribers did not receive the required disclosures. Therefore, DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing compliance with the required disclosures.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$287	\$287

DPG calculated the monetary effect by multiplying the number of affected subscribers tested (31) by the support amount requested on the June 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the disclosure requirements established by the Rules and provide the proper certification disclosures to its subscribers, as required by the Rules.

BENEFICIARY RESPONSE

Virgin Mobile agrees in part and disagrees in part with this finding.

Virgin Mobile agrees that the definition of a household (47 C.F.R. § 54.410(d)(1)) was not present in the Mobile Application pdfs. While potential subscribers must attest to the one per household rules, they do so via a printable tearpad that is not kept with the pdf but instead given to the subscriber.

Virgin Mobile disagrees that a portion of the (47 C.F.R. § 54.410(d)(3)) disclosure is omitted. Contrary to the findings, Assurance Wireless' certification and recertification documents do include the requisite disclosures, although in some cases the disclosures

may have been slightly re-worded to make the disclosure clearer and more understandable to the Lifeline applicant/customer. Assurance Wireless' application form states that "...Lifeline is a federal benefit, and only eligible subscribers may enroll. Willfully making false statements to obtain the benefit is punishable by law and can result in fines, imprisonment, de-enrollment or being de-enrolled or barred from the program." Insofar as Assurance Wireless is aware, there is nothing in the FCC's orders or rules, or on the USAC website, which requires that the disclosures and certifications be verbatim to the language in the rules. In fact, the rules and the 2012 Order repeatedly state that the requisite notifications "must be explained in clear, easily understandable language" – an exhortation which would be unnecessary if ETCs were required simply to quote the rules word-for-word. Furthermore, in the 2016 Order, the FCC delegated to the Wireline Competition Bureau "to propose to OMB Lifeline forms for certification, recertification, and the one-per-household requirement, if it believes that doing so will aid program administration." The FCC noted that certification and recertification forms "currently...are developed by service providers and must include the items required by section 54.410 and the 2012 Lifeline FNPRM," an acknowledgment that different ETCs may have different forms, and that non-standard forms are acceptable (even inevitable) so long as they all include the requisite information. To date, the Bureau has not proposed any such standard forms, and obviously there were no such standard forms in 2016, the relevant time period for the audit in question. Finally, Assurance Wireless was unable to find any guidance on the USAC web site that verbatim attestations are required. Rather, USAC advises that "Certification forms must include the following information:" [followed by the list of requisite information]. Listing the information which must be obtained is different from requiring verbatim quotations.

In short, ETCs are not required to make verbatim disclosures, or obtain verbatim certifications from their Lifeline applicants and customers, regarding the items contained in Section 54.410 of the Rules, and even today there is no standard form that must be used. Accordingly, DPG's and USAC's conclusion that Assurance Wireless' certification and recertification forms are inconsistent with the FCC's rules because they are not verbatim quotations, is incorrect.

DPG RESPONSE

The rules at 47 C.F.R. § 54.410(d) make a clear distinction between information that is required to be disclosed to the subscriber as part of 47 C.F.R. § 54.410(d)(1) and the certifications that must be obtained from the subscriber under 47 C.F.R. § 54.410(d)(3). The language highlighted by the Beneficiary above is presented to the subscriber as part of a disclosure. The exceptions identified with respect to 47 C.F.R. § 54.410(d)(3)(viii) represent forms where no certification statement requiring the subscriber to "acknowledge that providing false or fraudulent information to receive Lifeline benefits is punishable by law" was obtained from the subscriber. For this reason, DPG's position on this finding remains unchanged.

Finding #3: 47 C.F.R. § 54.416(b) – Inaccurate Form 555 Reporting

CONDITION

DPG identified a total of 3,656 subscribers who were reported in the Beneficiary's Form 555 (Block Q) as de-enrolled for non-usage and were included on the June 2016 Form 497. DPG selected a sample of five of these subscribers and requested the de-enrollment date and new application form to verify that the subscriber was properly re-enrolled. The Beneficiary indicated that four of the five subscribers were not actually disconnected and that they were reported in the non-usage section of the Form 555 because they had been flagged for inactivity by the underlying carrier's internal system. The information requested in Block Q of the Form 555 must represent subscribers where service has been terminated. The Beneficiary indicated that these four subscribers should not have been reported under Block Q on the Form 555.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to report the correct number of subscribers on the Form 555. The system used to capture information for Form 555 reporting identified subscribers de-enrolled for non-usage based on inactivity and not based on actual service termination.

EFFECT

DPG is unable to calculate the monetary effect, as it does not correspond to a specific amount claimed for reimbursement on the Form 497. However, because an accurate system was not in place for collecting, reporting, and monitoring data, the Beneficiary incorrectly reported the number of subscribers de-enrolled for non-usage on the Form 555.

RECOMMENDATION

DPG recommends that the Beneficiary implement an adequate system to report the correct number of subscribers on the Form 555 and maintain documentation to demonstrate compliance with the Rules.

BENEFICIARY RESPONSE

The finding is based on a difference of how our third party administrator and Virgin Mobile deem de-enrollment for non-usage for Form 555 and deactivation reporting. As noted, DPG selected a handful of subscribers and wanted termination dates for the selected subscribers. While Virgin Mobile's process for noting non-usage reflected subscribers who were de-enrolled due to inactivity, the third party administrator did not show several of those selected as in fact de-enrolled. As a result, the non-usage results as reported in New York Form 555 were inflated.

The inactivity process has since been updated and opted out accounts are now checked for other opt out reasons first rather than defaulting to inactivity. A secondary check has been put into place for the next Form 555 submission to send Virgin Mobile's opt out results to our third party administrator to have them confirm the subscribers.

CRITERIA

Finding	Criteria	Description
#1, #2	47 C.F.R. § 54.407(a) (2014)	“Universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier, based on the number of actual qualifying low-income consumers it serves.”
#1	47 C.F.R. § 54.404(b)(6), (8), (10) (2015)	<p>“The National Lifeline Accountability Database. In order to receive Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements: ...</p> <p>(6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber’s full name; full residential address; date of birth and the last four digits of the subscriber’s Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline...</p> <p>(8) All eligible telecommunications carriers must update an existing Lifeline subscriber’s information in the Database within ten business days of receiving any change to that information, except as described in paragraph (b)(10) of this section...</p> <p>(10) When an eligible telecommunications carrier de-enrolls a subscriber, it must transmit to the Database the date of Lifeline service de-enrollment within one business day of de-enrollment.”</p>
#1	47 C.F.R. § 54.407(e) (2015)	“In order to receive universal service support reimbursement, an eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline services. Such records shall be kept in the form directed by the Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart.”
#2	47 C.F.R. § 54.410(d) (2015)	<p>“(d) <i>Eligibility certifications.</i> Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber’s eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that in clear, easily understood language:</p> <p>(1) Provide the following information:</p> <ul style="list-style-type: none"> (i) Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program; (ii) Only one Lifeline service is available per household; (iii) A household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together and share income and expenses;

Finding	Criteria	Description
		<p>(iv) A household is not permitted to receive Lifeline benefits from multiple providers; and</p> <p>(v) Violation of the one-per-household limitation constitutes a violation of the Commission’s rules and will result in the subscribers de-enrollment from the program;</p> <p>(vi) Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person...</p> <p>(3) Require each prospective subscriber to certify, under penalty of perjury, that:</p> <p>(viii) The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law.”</p>
#2	47 C.F.R. § 54.410(f)(1), (2)(iii) (2015)	<p>“Annual eligibility re-certification process. (1) All eligible telecommunications carriers must annually re-certify all subscribers except for subscribers in states where a state Lifeline administrator or other state agency is responsible for re-certification of subscribers’ Lifeline eligibility.</p> <p>(2) In order to re-certify a subscriber’s eligibility, an eligible telecommunications carrier must confirm a subscriber’s current eligibility to receive Lifeline by: ...</p> <p>(iii) Obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section.”</p>
#3	47 C.F.R. § 54.416(b) (2015)	<p>“All eligible telecommunications carriers must annually provide the results of their re-certification efforts, performed pursuant to [47 C.F.R.] § 54.410(f), to the Commission and the Administrator.”</p>
#3	47 C.F.R. § 54.405(e)(3) (2015)	<p>“(3) <i>De-enrollment for non-usage</i>. Notwithstanding paragraph (e)(1) of this section, if a Lifeline subscriber fails to use, as ‘usage’ is defined in § 54.407(c)(2), for 60 consecutive days a Lifeline service that does not require the eligible telecommunications carrier to assess and collect a monthly fee from its subscribers, an eligible telecommunications carrier must provide the subscriber 30 days’ notice, using clear, easily understood language, that the subscriber’s failure to use the Lifeline service within the 30 day notice period will result in service termination for non-usage under this paragraph.... Eligible telecommunications carriers shall report to the Commission annually the number of subscribers de-enrolled for non-usage under this paragraph. This de-enrollment information must be submitted to the Commission at the time an eligible telecommunications carrier submits its annual certification report pursuant to § 54.416.”</p>
#3	Annual Lifeline Eligible Telecommunications Carrier Certification Form Instructions, OMB 3060-0819 (Nov. 2014), at 6 (Form 555 Instructions)	<p>“<u>Block Q</u> Report the number of subscribers de-enrolled for non-usage for that month as well as a total for the number of subscribers de-enrolled from non-usage for the year.”</p>

Attachment E

LI2017BE029



Shawnee Telephone Company

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2017BE029

TABLE OF CONTENTS

Table of Contents 2

Executive Summary 1

Audit Results and Recovery Action..... 3

USAC Management Response 3

Purpose, Scope and Procedures 3

Detailed Audit Findings 5

**Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Certification and
 Recertification Documentation Disclosures** 5

Criteria 7



EXECUTIVE SUMMARY

January 19, 2018

Mr. James Grisham, President
Shawnee Telephone Company
120 W Lane Street
P.O. Box 69
Equality, IL 62934

Dear Mr. Grisham:

DP George & Company, LLC (DPG) audited the compliance of Shawnee Telephone Company (Beneficiary), study area code 341025, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Parts 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

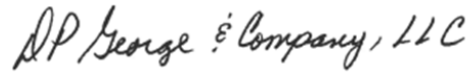
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

A handwritten signature in black ink that reads "DP George & Company, LLC". The signature is written in a cursive, slightly slanted style.

DP George & Company, LLC
Alexandria, Virginia

cc: Wayne Scott, Vice President, Internal Audit Division
Radha Sekar, USAC Chief Executive Office
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Certification and Recertification Documentation Disclosures. The Beneficiary’s subscriber certification and recertification documentation omitted required disclosures.	\$102	\$102
Total Net Monetary Effect	\$102	\$102

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for May 2016 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	136	\$1,258

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is an incumbent eligible telecommunications carrier (ETC) that operates in Illinois

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary’s Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary’s data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary’s enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also obtained and examined certification and/or recertification documentation for 25 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 25 subscribers.

E. Independent Economic Households

DPG obtained and examined documentation for 4 subscribers to determine whether the subscribers satisfied the Independent Economic Household requirements.

F. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.410(d) & 54.410(f)(2)(iii) – Improper Certification and Recertification Documentation Disclosures

CONDITION

DPG examined certification documentation for a sample of 3 subscribers and recertification documentation for a sample of 22 subscribers to determine whether the documentation contained all of the required disclosures. The Beneficiary recertified 14 of the subscribers selected through the Illinois state database. For the remaining subscribers who were certified or recertified by the Beneficiary, we noted the disclosure below was omitted from the subscriber certification and recertification documentation maintained by the Beneficiary:

Disclosure	Number of Affected Subscribers - Certification Documentation	Number of Affected Subscribers - Recertification Documentation
<i>Portion of disclosure omitted: “at any time” (the language used was “each year” and “every year” implying that subscribers are only subject to recertification on an annual basis, as opposed to at any time) (47 C.F.R. §54.410(d)(3)(ix))</i>	3	8
Total	3	8

The Beneficiary must list all of the required disclosures on the subscriber certification and recertification documentation. Because the certification and recertification documentation did not contain the required language, the subscribers did not receive the required disclosures. Therefore, DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing compliance with the required disclosures.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$102	\$102

DPG calculated the monetary effect by multiplying the number of Lifeline subscribers affected (11) by the average support amount requested on the May 2016 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the disclosure requirements established by the Rules and provides the proper certification disclosures to its subscribers.

BENEFICIARY RESPONSE

Although the language on the form does not explicitly state the language in the rules, Shawnee Telephone does not believe this constitutes a monetary finding. Indeed, the customers completing the forms demonstrated eligibility and acknowledged that (s)he would be required to recertify his or her eligibility. Shawnee Telephone will, however, revise the language for that particular certification moving forward.

DPG RESPONSE

The rules specify at 47 C.F.R. § 54.410(b)(i) that “an eligible telecommunications carrier must not seek reimbursement for providing Lifeline to a subscriber, unless the carrier has received a certification of eligibility from the prospective subscriber that complies with the requirements set forth in paragraph (d)”. Regarding the recertification process performed by the eligible telecommunications carrier, 47 C.F.R. § 54.410(f)(iii) also refers to the requirements in paragraph (d). Because the Beneficiary did not comply with all of the requirements set forth in paragraph (d), DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support. For this reason, DPG’s position on this finding remains unchanged.

CRITERIA

	Criteria	Description
#1	47 C.F.R. § 54.410(d) (2015)	<p>“(d) Eligibility certifications. Eligible telecommunications carriers and state Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber’s eligibility for Lifeline must provide prospective subscribers Lifeline certification forms that in clear, easily understood language:</p> <p>(3) Require each prospective subscriber to certify, under penalty of perjury, that:</p> <p>(ix) The subscriber acknowledges that the subscriber may be required to re-certify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to §54.405(e)(4).”</p>
#1	47 C.F.R. § 54.410(f)(2)(iii) (2015)	<p>“In order to re-certify a subscriber’s eligibility, an eligible telecommunications carrier must confirm a subscriber’s current eligibility to receive Lifeline by: ... Obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section.”</p>
#1	47 C.F.R. § 54.407(a) (2015)	<p>“Universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier, based on the number of actual qualifying low-income consumers it serves directly as of the first day of the month.”</p>

Attachment F

LI2017BE031



Paul Bunyan Rural Telephone Cooperative

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2017BE031

TABLE OF CONTENTS

Table of Contents 2

Executive Summary 1

Audit Results and Recovery Action..... 3

USAC Management Response 3

Purpose, Scope and Procedures..... 3

Detailed Audit Findings 5

Finding #1: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance 5

Criteria..... 7



EXECUTIVE SUMMARY

January 2, 2018

Ms. Terri Crews, Accounting Supervisor
Paul Bunyan Rural Telephone Cooperative
1831 Anne Street NW
Bemidji, MN 56601

Dear Ms. Crews:

DP George & Company, LLC (DPG) audited the compliance of Paul Bunyan Rural Telephone Cooperative (Beneficiary), study area code 361451, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Parts 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

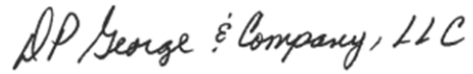
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed one detailed audit finding (Finding) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

Handwritten signature in cursive script that reads "DP George & Company, LLC".

DP George & Company, LLC
Alexandria, Virginia

cc: Wayne Scott, Vice President, Internal Audit Division
Radha Sekar, USAC Acting Chief Executive Office
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance. The Beneficiary failed to remove subscribers from NLAD within the required time frame.	\$0	\$0
Total Net Monetary Effect	\$0	\$0

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results. USAC management notes that there is no recovery associated with the audit results. Thus, USAC management will not seek recovery at this time. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for March 2017 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	146	\$1,690.25

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is an incumbent eligible telecommunications carrier (ETC) that operates in Minnesota

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary's Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary's data files.

B. Minimum Service Standards

DPG obtained an understanding of the Beneficiary's service plans to determine whether the plans met the required minimum service standards required by the rules.

C. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary's enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also

obtained and examined certification and/or recertification documentation for 25 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

D. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

E. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 25 subscribers.

F. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance

CONDITION

DPG compared the Beneficiary's subscriber data in the National Lifeline Accountability Database (NLAD) to the audit period subscriber listing to identify subscribers reflected in NLAD and not claimed on the March 2017 Form 497. DPG identified 106 subscribers who were listed in NLAD as of the audit period and were not claimed on the Form 497. DPG requested an explanation for why the subscribers were not claimed on the Form 497 and the Beneficiary indicated that the subscribers resided in areas where the Beneficiary was designated as a Competitive Local Exchange Carrier (CLEC) but did not have an ETC designation. The carrier provided a Lifeline discount to the subscribers but did not claim them for support.

Because the subscribers are located outside of the Beneficiary's designated ETC service area, the Beneficiary is not permitted to claim them for support and should remove them from NLAD.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing the NLAD requirements. The Beneficiary provided a Lifeline discount to the subscribers and believed that because the subscribers received a discount, regardless of whether the Beneficiary claimed them for support, they should be included in the NLAD database as an indication that they were receiving a Lifeline discount.

EFFECT

There is no monetary effect for the subscribers not de-enrolled in NLAD because these subscribers were not claimed on the Form 497. However, not de-enrolling customers in NLAD who are outside the designated ETC service area creates the potential for subscribers to be flagged for duplicate resolution unnecessarily.

RECOMMENDATION

DPG recommends that the Beneficiary implement adequate procedures to de-enroll subscribers in NLAD whom the Beneficiary is not permitted to claim for Lifeline support.

BENEFICIARY RESPONSE

We respectfully disagree with the statement that Paul Bunyan Communications (PBC) demonstrated insufficient knowledge of the Rules governing NLAD requirements. We see the issue more as an alternative interpretation of the NLAD rules in order to protect the Lifeline program from a scenario in which a subscriber would be able to claim a secondary Lifeline discount. PBC has graciously allowed subscribers that reside outside of our ETC designation areas to request a lifeline discount without a remuneration refund request from the Lifeline program by PBC.

In the near future, PBC will be petitioning the Minnesota Public Utilities Commission for Designation as a Lifeline Only Eligible Telecommunications Carrier in our competitive serving areas. At that point the alternative interpretation will become irrelevant.

DPG RESPONSE

The rules at 47 C.F.R. § 54.404 with respect to submission of NLAD data apply to eligible telecommunications carriers. The Rules at 47 C.F.R. § 54.201 indicate that “A state commission shall designate a common carrier that meet the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission.” Because the Beneficiary was not designated as an eligible telecommunications carrier in the service area where the 106 subscribers identified above were located, the requirement to submit NLAD data for those subscribers does not apply. For this reason, DPG’s position on this finding remains unchanged.

CRITERIA

	Criteria	Description
#1	47 C.F.R. § 54.404(b)(6), (8), (10) (2016)	<p>“(b) The National Lifeline Accountability Database. In order to receive Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements: ...</p> <p>(6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber’s full name; full residential address; date of birth and the last four digits of the subscriber’s Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline....</p> <p>(8) All eligible telecommunications carriers must update an existing Lifeline subscriber’s information in the Database within ten business days of receiving any change to that information, except as described in paragraph (b)(10) of this section....</p> <p>(10) When an eligible telecommunications carrier de-enrolls a subscriber, it must transmit to the Database the date of Lifeline service de-enrollment within one business day of de-enrollment.”</p>