



# PUBLIC NOTICE

Federal Communications Commission  
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Washington, D.C. 20554

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## WIRELINE COMPETITION BUREAU SEEKS COMMENT ON THE LIFELINE BIENNIAL AUDIT PLAN

WC Docket No. 11-42

**Comment Date: (30 days after date of publication in the Federal Register)**

**Reply Comment Date: (45 days after date of publication in the Federal Register)**

To increase oversight and prevent waste, fraud or abuse in the Lifeline program, the Commission, in the *Lifeline Reform Order*, directed the Wireline Competition Bureau (WCB), in conjunction with the Office of Managing Director (OMD), to develop standard procedures for independent biennial audits of carriers receiving \$5 million or more annually from the low-income universal service support program.<sup>1</sup> By establishing uniform audit procedures to review the internal controls and processes of Lifeline service providers, WCB is implementing another major reform established by the Commission to protect the federal universal service fund (USF) from waste, fraud and abuse. We seek comment on the proposed Lifeline Biennial Audit Plan, attached hereto as Attachment 2.

Every eligible telecommunications carrier (ETC) providing Lifeline services and that receives \$5 million or more from the USF annually must conduct a biennial audit.<sup>2</sup> Each ETC that meets these requirements must hire an independent audit firm to assess the ETC's overall compliance with the Lifeline program's rules and requirements.<sup>3</sup> The independent audit firms conducting the audits must be licensed certified public accounting firms and must conduct the audits consistent with Generally Accepted Government Auditing Standards (GAGAS).<sup>4</sup> The audits shall be performed as agreed-upon procedures (AUP) attestations.<sup>5</sup>

The Lifeline Biennial Audit Plan is intended to provide standard procedures for the independent auditors performing the AUP engagements, and focuses on the company's overall compliance and internal controls regarding the Commission's low-income program requirements as implemented on a

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<sup>1</sup> See *Lifeline and Link Up Reform and Modernization et al.*, WC Docket No. 11-42 et al., Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, 6782, para. 291 (2012) (*Lifeline Reform Order*).

<sup>2</sup> ETCs receiving \$5 million or more in a calendar year on a holding company basis are subject to this biennial audit requirement. For the first biennial audit, ETCs receiving \$5 million or more in calendar year 2013 will be subject to this biennial audit requirement, and will begin such audits in 2014 upon release of the final Lifeline Biennial Audit Plan.

<sup>3</sup> See *id.*

<sup>4</sup> See *id.*; see also GOVERNMENT ACCOUNTABILITY OFFICE, GOVERNMENT AUDITING STANDARDS, December 2011, <http://www.gao.gov/assets/590/587281.pdf> (GAGAS Standards).

<sup>5</sup> See *Lifeline Reform Order*, 27 FCC Rcd at 6783, para. 293.

nationwide basis.<sup>6</sup> To maximize the administrative efficiency and benefit to the Commission of these audits, the Lifeline Biennial Audit Plan identifies the key risk areas and specific audit program requirements that the independent auditors must audit for compliance. Specifically, independent audits will review carrier processes and procedures related to: (1) carriers' obligation to offer Lifeline; (2) consumer qualification for Lifeline; (3) subscriber eligibility determination and certification; and (4) annual recertification and recordkeeping.

WCB and OMD will review the comments filed in response to this Public Notice and issue a final Lifeline Biennial Audit Plan. Independent auditors must plan their engagements by using the approved procedures outlined in the Lifeline Biennial Audit Plan. In addition, to ensure compliance with the Commission's Lifeline requirements, the Universal Service Administrative Company will conduct training for independent auditors performing the AUP engagements to ensure that the audits are performed in accordance with the Lifeline Biennial Audit Plan. The independent auditors will be required to collect from the ETCs specific documents and completed questionnaires, which the independent auditors will inspect before conducting fieldwork testing and then preparing Attestation Reports.

We seek comment on the proposed Lifeline Biennial Audit Plan. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, interested parties may file comments on or before **30 days after the date of publication in the Federal Register**, and reply comments on or before **45 days after the date of publication in the Federal Register**. All pleadings are to reference **WC Docket No. 11-42**. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS), or by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <http://fjallfoss.fcc.gov/ecfs2/>.
- Paper Filers: Parties who choose to file by paper must file an original and one copy of each filing. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
  - All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12<sup>th</sup> St., SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building.
  - Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
  - U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12<sup>th</sup> Street, SW, Washington DC 20554.

In addition, we request that one copy of each pleading be sent to each of the following:

1. Garnet Hanly, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW, Room 5-A346, Washington, DC 20554; e-mail: [Garnet.Hanly@fcc.gov](mailto:Garnet.Hanly@fcc.gov);

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<sup>6</sup> See *id.* at 6782-83, para. 292.

2. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW, Room 5-A452, Washington, DC 20554; e-mail: Charles.Tyler@fcc.gov.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to [fcc504@fcc.gov](mailto:fcc504@fcc.gov) or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

*Initial Regulatory Flexibility Analysis.* As required by the Regulatory Flexibility Act of 1980,<sup>7</sup> WCB and OMD have prepared an Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on a substantial number of small entities of the proposals addressed in the Public Notice. The IRFA is set forth in Attachment 1. Written public comments are requested on the IRFA. These comments must be filed in accordance with the same filing deadlines for comments on the Public Notice, and they should have a separate and distinct heading designating them as responses to the IRFA. The Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, will send a copy of this Public Notice, including the IRFA, to the Chief Counsel for Advocacy of the Small Business Administration, in accordance with the Regulatory Flexibility Act.<sup>8</sup>

For further information, please contact Garnet Hanly, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-0995 or TTY (202) 418-0484; or Gina Spade, Office of the Managing Director, at (202) 418-7105.

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<sup>7</sup> See 5 U.S.C. § 603.

<sup>8</sup> See 5 U.S.C. § 603(a).

## ATTACHMENT 1

### Initial Regulatory Flexibility Analysis

1. As Required by the Regulatory Flexibility Act of 1980, as amended (RFA)<sup>1</sup>, the Wireline Competition Bureau (WCB), in conjunction with the Office of Managing Director (OMD), has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on a substantial number of small entities by the procedures proposed in this Public Notice. Written comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the Public Notice. The Commission will send a copy of the Public Notice, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).<sup>2</sup> In addition, the Public Notice and IRFA (or summaries thereof) will be published in the Federal Register.<sup>3</sup>

#### A. Need for, and Objectives of, the Lifeline Biennial Audit Plan:

2. The Public Notice seeks comment on the standard procedures for independent biennial audits of carriers drawing \$5 million or more annually from the low-income universal service support program. We seek comment on any costs and burdens on small entities associated with the proposed Biennial Audit Plan., including data quantifying the extent of those costs or burdens.

#### B. Legal Basis

3. The Public Notice, including publication of proposed procedures, is authorized under sections 1,2, 4(i)-(j), 201(b), 254, 257, 303(r), and 503 of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, as amended.<sup>4</sup>

#### C. Description and Estimate of the Number of Small Entities to which the Proposed Biennial Audit Plan Will Apply:

4. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed Biennial Audit Plan.<sup>5</sup> The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.”<sup>6</sup> In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act.<sup>7</sup> A small business concern is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).<sup>8</sup>

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<sup>1</sup> See 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. §§ 601-612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

<sup>2</sup> See 5 U.S.C. § 603(a).

<sup>3</sup> See *id.*

<sup>4</sup> 47 U.S.C. §§ 151, 152, 154(i)-(j), 201(b), 254, 257, 303(r), 503, 1302.

<sup>5</sup> 5 U.S.C. § 603(b)(3).

<sup>6</sup> 5 U.S.C. § 601(6).

<sup>7</sup> 5 U.S.C. § 601(3) (incorporating by reference the definition of “small business concern” in 15 U.S.C. § 632). Pursuant to the RFA, the statutory definition of a small business applies “unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register.” 5 U.S.C. § 601(3).

<sup>8</sup> Small Business Act, 15 U.S.C. § 632.

Nationwide, there are a total of approximately 29.6 million small businesses, according to the SBA.<sup>9</sup> A “small organization” is generally “any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.”<sup>10</sup> Nationwide, as of 2002, there were approximately 1.6 million small organizations.<sup>11</sup> The term “small governmental jurisdiction” is defined generally as “governments of cities, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand.”<sup>12</sup> Census Bureau data for 2002 indicate that there were 87,525 local governmental jurisdictions in the United States.<sup>13</sup> We estimate that, of this total, 84,377 entities were “small governmental jurisdictions.”<sup>14</sup> Thus, we estimate that most governmental jurisdictions are small.

## **1. Wireline Providers**

5. *Incumbent Local Exchange Carriers (Incumbent LECs)*. Neither the Commission nor the SBA has developed a small business size standard specifically for incumbent local exchange services. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>15</sup> Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer and 44 firms had had employment of 1000 or more. According to Commission data, 1,307 carriers reported that they were incumbent local exchange service providers.<sup>16</sup> Of these 1,307 carriers, an estimated 1,006 have 1,500 or fewer employees and 301 have more than 1,500 employees.<sup>17</sup> The Commission estimates that most providers of local exchange service are small entities, but a small percentage are impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.<sup>18</sup>

6. *Competitive Local Exchange Carriers (Competitive LECs), Competitive Access Providers (CAPs), Shared-Tenant Service Providers, and Other Local Service Providers*. Neither the Commission nor the SBA has developed a small business size standard specifically for these service providers. The

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<sup>9</sup> See Small Business Administration, Office of Advocacy, Frequently Asked Questions, <http://www.sba.gov/advocacy/7495> (last visited March 2, 2011).

<sup>10</sup> 5 U.S.C. § 601(4).

<sup>11</sup> Independent Sector, *The New Nonprofit Almanac & Desk Reference* (2002).

<sup>12</sup> 5 U.S.C. § 601(5).

<sup>13</sup> U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, Section 8, page 272, Table 415.

<sup>14</sup> We assume that the villages, school districts, and special districts are small, and total 48,558. See U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, section 8, page 273, Table 417. For 2002, Census Bureau data indicate that the total number of county, municipal, and township governments nationwide was 38,967, of which 35,819 were small. *Id.*

<sup>15</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>16</sup> See *Trends in Telephone Service*, Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division at Table 5.3 (Sept. 2010) (*Trends in Telephone Service*).

<sup>17</sup> See *id.*

<sup>18</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517110 in the left column for “Wired telecommunications carriers”) (last visited March 2, 2011).

appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>19</sup> Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer and 44 firms had had employment of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these Competitive LECs, CAPs, Shared-Tenant Service Providers, and Other Local Service Providers can be considered small entities.<sup>20</sup> According to Commission data, 1,442 carriers reported that they were engaged in the provision of either competitive local exchange services or competitive access provider services.<sup>21</sup> Of these 1,442 carriers, an estimated 1,256 have 1,500 or fewer employees and 186 have more than 1,500 employees.<sup>22</sup> In addition, 17 carriers have reported that they are Shared-Tenant Service Providers, and all 17 are estimated to have 1,500 or fewer employees.<sup>23</sup> In addition, 72 carriers have reported that they are Other Local Service Providers.<sup>24</sup> Seventy of which have 1,500 or fewer employees and two have more than 1,500 employees.<sup>25</sup> Consequently, the Commission estimates that most providers of competitive local exchange service, competitive access providers, Shared-Tenant Service Providers, and Other Local Service Providers are small entities, but a small percentage are impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

7. *Interexchange Carriers.* Neither the Commission nor the SBA has developed a small business size standard specifically for providers of interexchange services. The appropriate size standard under SBA rules is for the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>26</sup> Census Bureau data for 2007, which now supersede data from the 2002 Census, show that there were 3,188 firms in this category that operated for the entire year. Of this total, 3,144 had employment of 999 or fewer, and 44 firms had had employment of 1,000 employees or more. Thus under this category and the associated small business size standard, the majority of these Interexchange carriers can be considered small entities.<sup>27</sup> According to Commission data, 359 companies reported that their primary telecommunications service activity was the provision of interexchange services.<sup>28</sup> Of these 359 companies, an estimated 317 have 1,500 or fewer employees and

<sup>19</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>20</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517110 in the left column for “Wired telecommunications carriers”) (last visited March 2, 2011).

<sup>21</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>22</sup> See *id.*

<sup>23</sup> *Id.*

<sup>24</sup> See *id.*

<sup>25</sup> See *id.*

<sup>26</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>27</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517110 in the left column for “Wired telecommunications carriers”) (last visited March 2, 2011).

<sup>28</sup> See *Trends in Telephone Service* at Table 5.3.



42 have more than 1,500 employees.<sup>29</sup> Consequently, the Commission estimates that the majority of interexchange service providers are small entities that will not be affected by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

8. *Operator Service Providers (OSPs)*. Neither the Commission nor the SBA has developed a small business size standard specifically for operator service providers. The appropriate size standard under SBA rules is the category Wired Telecommunications Carriers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>30</sup> Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>31</sup> Census Bureau data for 2007, which now supersede 2002 Census data, show that there were 3,188 firms in this category that operated for the entire year. Of the total, 3,144 had employment of 999 or fewer, and 44 firms had had employment of 1,000 employees or more.<sup>32</sup> Thus under this category and the associated small business size standard, the majority of these interexchange carriers can be considered small entities.<sup>33</sup> According to Commission data, 33 carriers have reported that they are engaged in the provision of operator services. Of these, an estimated 31 have 1,500 or fewer employees and 2 have more than 1,500 employees.<sup>34</sup> Consequently, the Commission estimates that the majority of OSPs are small entities, but will not be impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

9. *Local Resellers*. The SBA has developed a small business size standard for the category of Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>35</sup> Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000.<sup>36</sup> Thus under this category and the associated small business size standard, the majority of these local resellers can be considered small entities. According to Commission data, 213 carriers have reported that they are engaged in the provision of local resale services.<sup>37</sup> Of these, an estimated 211 have 1,500 or fewer employees and two have more than 1,500 employees.<sup>38</sup> Consequently, the Commission estimates

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<sup>29</sup> See *id.*

<sup>30</sup> 13 C.F.R. § 121.201, NAICS code 517110.

<sup>31</sup> *Id.*

<sup>32</sup> See *Wired Telecommunications Data*, *supra* note 33.

<sup>33</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517110 in the left column for “Wired telecommunications carriers”) (last visited March 2, 2011).

<sup>34</sup> *Trends in Telephone Service* at Table 5.3.

<sup>35</sup> 13 C.F.R. § 121.201, NAICS code 517911.

<sup>36</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517911 in the left column for “Telecommunications Resellers”) (last visited March 2, 2011).

<sup>37</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>38</sup> *Id.*

that the majority of local resellers are small entities, but will not be impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

10. *Toll Resellers.* The SBA has developed a small business size standard for the category of Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>39</sup> Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000.<sup>40</sup> Thus under this category and the associated small business size standard, the majority of these resellers can be considered small entities. According to Commission data,<sup>41</sup> 881 carriers have reported that they are engaged in the provision of toll resale services. Of these, an estimated 857 have 1,500 or fewer employees and 24 have more than 1,500 employees. Consequently, the Commission estimates that the majority of toll resellers are small entities, but will not be impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

11. *Pre-paid Calling Card Providers.* Neither the Commission nor the SBA has developed a small business size standard specifically for pre-paid calling card providers. The appropriate size standard under SBA rules is for the category Telecommunications Resellers. Under that size standard, such a business is small if it has 1,500 or fewer employees.<sup>42</sup> Census data for 2007 show that 1,523 firms provided resale services during that year. Of that number, 1,522 operated with fewer than 1000 employees and one operated with more than 1,000.<sup>43</sup> Thus under this category and the associated small business size standard, the majority of these pre-paid calling card providers can be considered small entities. According to Commission data, 193 carriers have reported that they are engaged in the provision of pre-paid calling cards.<sup>44</sup> Of these, an estimated all 193 have 1,500 or fewer employees and none have more than 1,500 employees.<sup>45</sup> Consequently, the Commission estimates that the majority of pre-paid calling card providers are small entities, but will not be impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

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<sup>39</sup> 13 C.F.R. § 121.201, NAICS code 517911.

<sup>40</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517911 in the left column for “Telecommunications Resellers”) (last visited March 2, 2011).

<sup>41</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>42</sup> 13 C.F.R. § 121.201, NAICS code 517911.

<sup>43</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517911 in the left column for “Telecommunications Resellers”) (last visited March 2, 2011).

<sup>44</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>45</sup> See *id.*



## 2. Wireless Carriers and Service Providers

12. Below, for those services subject to auctions, the Commission notes that, as a general matter, the number of winning bidders that qualify as small businesses at the close of an auction does not necessarily represent the number of small businesses currently in service. Also, the Commission does not generally track subsequent business size unless, in the context of assignments or transfers, unjust enrichment issues are implicated.

13. *Wireless Telecommunications Carriers (except Satellite)*. Since 2007, the Census Bureau has placed wireless firms within this new, broad, economic census category.<sup>46</sup> Prior to that time, such firms were within the now-superseded categories of “Paging” and “Cellular and Other Wireless Telecommunications.”<sup>47</sup> Under the present and prior categories, the SBA has deemed a wireless business to be small if it has 1,500 or fewer employees.<sup>48</sup> For the category of Wireless Telecommunications Carriers (except Satellite), Census data for 2007, which supersede data contained in the 2002 Census, show that there were 1,383 firms that operated that year.<sup>49</sup> Of those 1,383, 1,368 had fewer than 100 employees, and 15 firms had more than 100 employees. Thus under this category and the associated small business size standard, the majority of firms can be considered small. Similarly, according to Commission data, 413 carriers reported that they were engaged in the provision of wireless telephony, including cellular service, Personal Communications Service (PCS), and Specialized Mobile Radio (SMR) Telephony services.<sup>50</sup> Of these, an estimated 261 have 1,500 or fewer employees and 152 have more than 1,500 employees.<sup>51</sup> Consequently, the Commission estimates that approximately half or more of these firms can be considered small. Thus, using available data, we estimate that the majority of wireless firms can be considered small.

14. *Wireless Communications Services*. This service can be used for fixed, mobile, radiolocation, and digital audio broadcasting satellite uses. The Commission defined “small business” for the wireless communications services (WCS) auction as an entity with average gross revenues of \$40 million for each of the three preceding years, and a “very small business” as an entity with average gross revenues of \$15 million for each of the three preceding years.<sup>52</sup> The SBA has approved these definitions.<sup>53</sup> The Commission auctioned geographic area licenses in the WCS service. In the auction, which commenced on April 15, 1997 and closed on April 25, 1997, seven bidders won 31 licenses that

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<sup>46</sup> U.S. Census Bureau, 2007 NAICS Definitions: Wireless Telecommunications Categories (except Satellite), <http://www.census.gov/naics/2007/def/ND517210.HTM> (last visited March 2, 2011).

<sup>47</sup> U.S. Census Bureau, 2002 NAICS Definitions: Paging, <http://www.census.gov/epcd/naics02/def/NDEF517.HTM> (last visited March 2, 2011); U.S. Census Bureau, 2002 NAICS Definitions: Other Wireless Telecommunications, <http://www.census.gov/epcd/naics02/def/NDEF517.HTM> (last visited March 2, 2011).

<sup>48</sup> 13 C.F.R. § 121.201, NAICS code 517210 (2007 NAICS). The now-superseded, pre-2007 C.F.R. citations were 13 C.F.R. § 121.201, NAICS codes 517211 and 517212 (referring to the 2002 NAICS).

<sup>49</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517210 in the left column for “Wireless Telecommunications Carriers (except Satellite)”) (last visited March 2, 2011).

<sup>50</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>51</sup> See *id.*

<sup>52</sup> *Amendment of the Commission’s Rules to Establish Part 27, the Wireless Communications Service (WCS)*, GN Docket No. 96-228, Report and Order, 12 FCC Rcd 10785, 10879, para. 194 (1997).

<sup>53</sup> See Letter from Aida Alvarez, Administrator, SBA, to Amy Zoslov, Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, FCC (filed Dec. 2, 1998) (*Alvarez Letter 1998*).

qualified as very small business entities, and one bidder won one license that qualified as a small business entity.

15. *Satellite Telecommunications Providers*. Two economic census categories address the satellite industry. The first category has a small business size standard of \$15 million or less in average annual receipts, under SBA rules.<sup>54</sup> The second has a size standard of \$25 million or less in annual receipts.<sup>55</sup>

16. The category of Satellite Telecommunications “comprises establishments primarily engaged in providing telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via a system of satellites or reselling satellite telecommunications.”<sup>56</sup> Census Bureau data for 2007 show that 512 Satellite Telecommunications firms that operated for that entire year.<sup>57</sup> Of this total, 464 firms had annual receipts of under \$10 million, and 18 firms had receipts of \$10 million to \$24,999,999.<sup>58</sup> Consequently, the Commission estimates that the majority of Satellite Telecommunications firms are small entities, but are unlikely impacted by the Biennial Audit Plan because it applies only to those entities that receive \$5 million or more from the low-income program, on an annual basis, as determined on a holding company basis taking into account all operating companies and affiliates.

17. The second category, i.e., “All Other Telecommunications” comprises “establishments primarily engaged in providing specialized telecommunications services, such as satellite tracking, communications telemetry, and radar station operation. This industry also includes establishments primarily engaged in providing satellite terminal stations and associated facilities connected with one or more terrestrial systems and capable of transmitting telecommunications to, and receiving telecommunications from, satellite systems. Establishments providing Internet services or voice over Internet protocol (VoIP) services via client-supplied telecommunications connections are also included in this industry.”<sup>59</sup> For this category, Census Bureau data for 2007 show that there were a total of 2,383 firms that operated for the entire year.<sup>60</sup> Of this total, 2,347 firms had annual receipts of under \$25 million and 12 firms had annual receipts of \$25 million to \$49, 999,999.<sup>61</sup> Consequently, the Commission

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<sup>54</sup> 13 C.F.R. § 121.201, NAICS code 517410.

<sup>55</sup> 13 C.F.R. § 121.201, NAICS code 517919.

<sup>56</sup> U.S. Census Bureau, 2007 NAICS Definitions, Satellite Telecommunications, <http://www.census.gov/naics/2007/def/ND517410.HTM> (last visited March 2, 2011).

<sup>57</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ4: Receipts Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517210 in the left column for “Satellite Telecommunications”) (last visited March 2, 2011).

<sup>58</sup> *Id.*

<sup>59</sup> U.S. Census Bureau, 2007 NAICS Definitions, All Other Telecommunications, <http://www.census.gov/naics/2007/def/ND517919.HTM> (last visited February 2, 2012).

<sup>60</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ4: Receipts Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517919 in the left column for “All Other Telecommunications”) (last visited March 2, 2011).

<sup>61</sup> *Id.*

estimates that the majority of All Other Telecommunications firms are small entities that might be affected by our action.

18. *Common Carrier Paging.* The SBA considers paging to be a wireless telecommunications service and classifies it under the industry classification Wireless Telecommunications Carriers (except satellite). Under that classification, the applicable size standard is that a business is small if it has 1,500 or fewer employees. For the general category of Wireless Telecommunications Carriers (except Satellite), Census data for 2007, which supersede data contained in the 2002 Census, show that there were 1,383 firms that operated that year.<sup>62</sup> Of those 1,383, 1,368 had fewer than 100 employees, and 15 firms had more than 100 employees. Thus under this category and the associated small business size standard, the majority of firms can be considered small.<sup>63</sup> The 2007 census also contains data for the specific category of “Paging” “that is classified under the seven-number North American Industry Classification System (NAICS) code 5172101.”<sup>64</sup> According to Commission data, 291 carriers have reported that they are engaged in Paging or Messaging Service. Of these, an estimated 289 have 1,500 or fewer employees, and 2 have more than 1,500 employees.<sup>65</sup> Consequently, the Commission estimates that the majority of paging providers are small entities that may be affected by our action. In addition, in the Paging Third Report and Order, the Commission developed a small business size standard for “small businesses” and “very small businesses” for purposes of determining their eligibility for special provisions such as bidding credits and installment payments.<sup>66</sup> A “small business” is an entity that, together with its affiliates and controlling principals, has average gross revenues not exceeding \$15 million for the preceding three years. Additionally, a “very small business” is an entity that, together with its affiliates and controlling principals, has average gross revenues that are not more than \$3 million for the preceding three years.<sup>67</sup> The SBA has approved these small business size standards.<sup>68</sup> An auction of Metropolitan Economic Area

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<sup>62</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 517210 in the left column for “Wireless Telecommunications Carriers (except Satellite)”) (last visited March 2, 2011).

<sup>63</sup> 13 C.F.R. § 121.201, NAICS code 517210.

<sup>64</sup> U.S. CENSUS BUREAU, AMERICAN FACTFINDER, 2007 ECONOMIC CENSUS, <http://factfinder.census.gov>, (find “Economic Census” and choose “get data.” Then, under “Economic Census data sets by sector...,” choose “Information.” Under “Subject Series,” choose “EC0751SSSZ5: Employment Size of Firms for the US: 2007.” Click “Next” and find data related to NAICS code 5172101 in the left column for “Paging”) (last visited March 2, 2011). In this specific category, there were 248 firms that operated for the entire year in 2007. Of that number 247 operated with fewer than 100 employees and one operated with more than 1000 employees. Based on this classification and the associated size standard, the majority of paging firms must be considered small.

<sup>65</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>66</sup> Amendment of Part 90 of the Commission’s Rules to Provide for the Use of the 220-222 MHz Band by the Private Land Mobile Radio Service, PR Docket No. 89-552, GN Docket No. 93-252, PP Docket No. 93-253, Third Report and Order and Fifth Notice of Proposed Rulemaking, 12 FCC Rcd 10943, 11068-70, paras. 291-295 (1997) (220 MHz Third Report and Order).

<sup>67</sup> See Letter to Amy Zoslov, Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, FCC, from A. Alvarez, Administrator, Small Business Administration (Dec. 2, 1998).

<sup>68</sup> *Revision of Part 22 and Part 90 of the Commission’s Rules to Facilitate Future Development of Paging Systems*, WT Docket No. 96-18, PR Docket No. 93-253, Memorandum Opinion and Order on Reconsideration and Third Report and Order, 14 FCC Rcd 10030, paras. 98-107 (1999).

licenses commenced on February 24, 2000, and closed on March 2, 2000.<sup>69</sup> Of the 985 licenses auctioned, 440 were sold. Fifty-seven companies claiming small business status won.

19. *Wireless Telephony*. Wireless telephony includes cellular, personal communications services, and specialized mobile radio telephony carriers. As noted, the SBA has developed a small business size standard for Wireless Telecommunications Carriers (except Satellite).<sup>70</sup> Under the SBA small business size standard, a business is small if it has 1,500 or fewer employees.<sup>71</sup> According to the *2008 Trends Report*, 434 carriers reported that they were engaged in wireless telephony.<sup>72</sup> Of these, an estimated 222 have 1,500 or fewer employees and 212 have more than 1,500 employees.<sup>73</sup> We have estimated that 222 of these are small under the SBA small business size standard.

### 3. Internet Service Providers

20. The 2007 Economic Census places these firms, whose services might include voice over Internet protocol (VoIP), in either of two categories, depending on whether the service is provided over the provider's own telecommunications facilities (*e.g.*, cable and DSL ISPs), or over client-supplied telecommunications connections (*e.g.*, dial-up ISPs). The former are within the category of Wired Telecommunications Carriers,<sup>74</sup> which has an SBA small business size standard of 1,500 or fewer employees.<sup>75</sup> The latter are within the category of All Other Telecommunications,<sup>76</sup> which has a size standard of annual receipts of \$25 million or less.<sup>77</sup> The most current Census Bureau data for all such firms, however, are the 2002 data for the previous census category called Internet Service Providers.<sup>78</sup> That category had a small business size standard of \$21 million or less in annual receipts, which was revised in late 2005 to \$23 million. The 2002 data show that there were 2,529 such firms that operated for the entire year.<sup>79</sup> Of those, 2,437 firms had annual receipts of under \$10 million, and an additional 47 firms had receipts of between \$10 million and \$24,999,999.<sup>80</sup> Consequently, we estimate that the majority of ISP firms are small entities.

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<sup>69</sup> *Id.* at 10085, para. 98.

<sup>70</sup> 13 C.F.R. § 121.201, NAICS code 517210.

<sup>71</sup> *Id.*

<sup>72</sup> See *Trends in Telephone Service* at Table 5.3.

<sup>73</sup> *Id.*

<sup>74</sup> U.S. Census Bureau, 2007 NAICS Definitions: Wired Telecommunications Carriers, <http://www.census.gov/naics/2007/def/ND517110.HTM> (last visited March 2, 2011).

<sup>75</sup> 13 C.F.R. § 121.201, NAICS code 517110 (updated for inflation in 2008).

<sup>76</sup> U.S. Census Bureau, 2007 NAICS Definitions: All Other Telecommunications, <http://www.census.gov/naics/2007/def/ND517919.HTM> (last visited March 2, 2011).

<sup>77</sup> 13 C.F.R. § 121.201, NAICS code 517919 (updated for inflation in 2008).

<sup>78</sup> U.S. Census Bureau, 2002 NAICS Definitions: Internet Service Providers, Web Search Portals, and Data Processing Services, <http://www.census.gov/epcd/naics02/def/NDEF518.HTM> (last visited March 2, 2011).

<sup>79</sup> U.S. Census Bureau, 2002 Economic Census, Subject Series: Information, "Establishment and Firm Size (Including Legal Form of Organization)," at Table 4, NAICS code 518111 (issued Nov. 2005).

<sup>80</sup> An additional 45 firms had receipts of \$25 million or more.

**D. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered**

21. As part of the effort to reduce waste, fraud, and abuse in the low-income program, the Commission directed the Bureau, in conjunction with OMD, to finalize standard procedures for independent audits of carriers drawing \$5 million or more annually from the program. The Commission limited this requirement to the largest recipients in the program, who pose the biggest risk to the program if they lack effective internal controls to ensure compliance with the Commission's rules. For the small percentage of, if any, small entities who meet this \$5 million revenue threshold, we seek comment on how to minimize the burdens of such a requirement on small entities. Accordingly, we seek comment on the potential economic impact of these requirements.

**E. Federal Rules that May Duplicate or Conflict with Proposed Rules**

22. None.

**ATTACHMENT 2**

**BIENNIAL AUDIT PLAN**

**UNIVERSAL SERVICE FUND – LIFELINE PROGRAM**

**GENERAL STANDARD PROCEDURES**

**FOR**

**BIENNIAL INDEPENDENT AUDITS**

**REQUIRED UNDER THE LIFELINE REFORM ORDER**

**FOR THE PERIOD NOVEMBER 1 THROUGH APRIL 30**



**GENERAL STANDARD PROCEDURES  
FOR  
BIENNIAL INDEPENDENT AUDITS  
REQUIRED UNDER THE LIFELINE REFORM ORDER  
FOR THE PERIOD NOVEMBER 1 THROUGH APRIL 30**

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## I. INTRODUCTION

1. The Wireline Competition Bureau (Bureau), in conjunction with the Office of Managing Director (OMD), sets forth the standard procedures for the Lifeline program biennial audits (audits).<sup>1</sup>

2. As described in the Federal Communications Commission's (Commission's or FCC's) *Lifeline Reform Order*, the audits must be performed once every two years, unless otherwise directed by the Commission or Bureau.<sup>2</sup> Every eligible telecommunications carrier (ETC or carrier) providing Lifeline services and receiving \$5 million or more from the low-income program in the aggregate annually, as determined on a holding company basis taking into account all operating companies and affiliates, is subject to the biennial audit requirement.<sup>3</sup> Each ETC that meets the requisite universal service fund (USF) support threshold for Lifeline support is required to hire an independent audit firm to assess the ETC's overall compliance with the Lifeline program's rules and requirements.<sup>4</sup> The independent audit firms conducting the audits must be licensed certified public accounting (CPA) firms.<sup>5</sup> These audits shall be conducted consistent with Generally Accepted Government Auditing Standards (GAGAS)<sup>6</sup> and follow the audit guidelines described below.<sup>7</sup>

3. *Agreed-Upon Procedures Attestation Audit.* In the *Lifeline Reform Order*, the Commission directed the Bureau and OMD to set out standards for ETCs that are engaging auditors to perform agreed-upon procedures (AUP) attestations.<sup>8</sup> To that end, all hired auditors shall follow the standard procedures contained in this Biennial Audit Plan regarding ETCs' compliance with key Lifeline program requirements. If an auditor subsequently identifies an area of ambiguity regarding Commission requirements, the issue should be reported to the Universal Service Administrative Company (USAC), and if the ambiguity with Commission requirements continues (e.g., USAC indicates the issue will require Commission guidance), the audit firm shall submit to the Commission any requests for rule interpretations necessary to complete the audit.<sup>9</sup> In all instances where an auditor contacts USAC for guidance regarding Commission requirements, USAC will notify all outside auditors so that the issue in

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<sup>1</sup> See *Lifeline and Link Up Reform and Modernization et al.*, WC Docket No. 11-42 et al., Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, 6782, para. 291 (2012) (*Lifeline Reform Order*). The term "audit" as used in the document refers to an agreed-upon procedures attestation engagement.

<sup>2</sup> *Id.* If there are no material findings in a carrier's first independent audit report, the Wireline Competition Bureau may, in its discretion, relieve the carrier of its obligation to perform an independent audit in the next biennial audit cycle. See *id.* at 6783-84, para. 295.

<sup>3</sup> *Id.* at 6782, para. 291. An affiliate is determined in accordance with section 3 of the Communications Act of 1934, as amended (Act), which defines an affiliate as "a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person." 47 U.S.C. § 153(2); see also 47 C.F.R. § 76.1200.

<sup>4</sup> See *Lifeline Reform Order*, 27 FCC Rcd at 6782, para. 291.

<sup>5</sup> See *id.*

<sup>6</sup> GOVERNMENT ACCOUNTABILITY OFFICE, GOVERNMENT AUDITING STANDARDS, December 2011, <http://www.gao.gov/assets/590/587281.pdf> (GAGAS Standards).

<sup>7</sup> See *Lifeline Reform Order*, 27 FCC Rcd at 6782, para. 291.

<sup>8</sup> See *id.* at 6783, para. 293.

<sup>9</sup> See *id.*

question will not be treated as a negative finding until guidance has been provided by USAC or the Bureau.<sup>10</sup>

4. *Focus of Audit.* The Biennial Audit Plan is focused on an ETC's corporate-wide compliance rather than an ETC's performance on a specific day in a particular study area.<sup>11</sup> In other words, the audits will focus on a company's overall compliance with the Lifeline rules and assess whether the company has internal controls necessary to comply with the Lifeline rules.<sup>12</sup> For instance, when an ETC has an automated system to verify initial and ongoing eligibility, the audit should focus on whether the methods and procedures of such automated systems are appropriately structured to ensure compliance with Lifeline program rules and requirements.<sup>13</sup> The Biennial Audit Plan also calls for sample testing in limited instances, to ensure that such policies, procedures and methods are being appropriately implemented as described below.

5. *Submission of Attestation Report.* Within 60 days after completion of the field work as described in the Fieldwork Testing Procedures section, but prior to finalization of the report, the third-party auditor shall submit a draft of the Attestation Report to the Commission and USAC. Comments to the draft report may be provided by the ETC to the audit firm prior to submission of the draft and final reports to the Commission and USAC. The Commission directs the audited ETCs to provide the Attestation Reports to the Commission, USAC, and relevant state and Tribal governments within 30 days of issuance of the final report, which is due no later than one year from release of the final Biennial Audit Plan, and biennially thereafter, unless otherwise directed by the Bureau. The Commission and USAC will be deemed authorized users of the reports.<sup>14</sup>

## II. ENGAGEMENT PLAN

5. *Engagement Period.* The AUP engagement shall cover 6 months of Lifeline service being offered by the ETC. The biennial audit scope may include all Low Income support disbursed from the USF by the Administrator, USAC, as detailed below.

6. *Conditions of Engagement.* Audits shall be performed in accordance with GAGAS issued by the Comptroller General of the United States (*as amended*) as an Agreed-Upon Procedures Attestation Engagement.<sup>15</sup> The audit test period will be from November 1 through April 30 (hereinafter, the audit period). The audit firm leading the AUP engagement shall be a licensed CPA firm. All members of the team performing the engagement shall be familiar with the GAGAS standards established for an Agreed-Upon Procedures Attestation Engagement, have a sufficient general understanding of the relevant Commission's Lifeline program rules and requirements, as reflected in Compliance Requirements section included in Appendix G,<sup>16</sup> and the requirements for and objectives of the AUP engagement. The team performing the engagement shall also be independent as defined by the GAGAS.

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<sup>10</sup> See *id.* at 6783-84, para. 294.

<sup>11</sup> See *id.* at 6782-83, para. 292.

<sup>12</sup> See *id.*

<sup>13</sup> See *id.*

<sup>14</sup> The Commission has already determined that the attestation reports will not be considered confidential. See *id.* at 6783, para. 294.

<sup>15</sup> See *supra* n.6.

<sup>16</sup> See *supra* Compliance Requirement section.

The audit firm shall disclose in its engagement letter to the carrier how the audit team will comply with the GAGAS independence requirements.<sup>17</sup>

7. In addition, to the extent that the auditor determines that procedures included in this Biennial Audit Plan are unclear with respect to any Commission rules and requirements, the audit firm shall contact USAC, and submit to the Commission any requests for rule interpretations necessary to complete the audit. If the audit firm identifies or becomes aware of any situation that indicates waste, fraud, or abuse of the Lifeline program or of any other USF program while performing the audit, the audit firm has an obligation to immediately notify the Commission and USAC, as required by GAGAS paragraphs 5.58 and 5.59.<sup>18</sup>

8. For all references in this document to send information to USAC, please send to Karen Majcher, USAC Vice President, High Cost & Low Income Division at [LifelineBiennial@usac.org](mailto:LifelineBiennial@usac.org). For all references in this document to send information to the Bureau and/or Commission, please send to Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW, Room 5-B521, Washington, DC 20554; e-mail: [Charles.Tyler@fcc.gov](mailto:Charles.Tyler@fcc.gov). Any changes to contact information will be published in a public notice.

9. The auditor's use of internal auditors/employees provided by the ETC shall be limited to the provision of general assistance and the preparation of schedules and gathering of data for use in the engagement. Under no circumstances shall the internal auditors of the ETC subject to the engagement perform any of the procedures contained in this document.

10. *Engagement Process.* The general standard procedures contained herein are intended to identify areas of audit work coverage and uniformity of audit work among each audit firm performing the engagement. The standards identified throughout this document are not legal interpretations of any rules or requirements. To the extent that these standards or procedures conflict with any Commission rules and requirements, the audit firm should contact USAC to seek guidance as stated in the Conditions of Engagement section.

11. Upon engagement by an ETC, the audit firm shall plan the engagement by using the procedures as listed in the Audit Planning section below. The section requires the audit firm to gain an understanding of the applicable rules that will be used to test compliance, which are listed in Appendix G. USAC will conduct training for auditors performing the AUP engagements to ensure that the audits are performed in accordance with the Biennial Audit Plan. The audit firm will perform the planning procedures to help in gaining an understanding of how the ETC complies with applicable requirements. The Audit Planning section of this Biennial Audit Plan includes a list of items the ETC shall provide to the auditor to begin fieldwork testing. The auditor, however, can request additional documentation from the ETC during the course of the audit in response to information collected in Appendices B and C.

12. The specific audit objectives and procedures for compliance testing for applicable rules are provided in the Fieldwork Testing Procedures section. The audit firm is expected to complete and report on all applicable procedures except where noted. Certain procedures pertain to ETCs offering

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<sup>17</sup> See GAGAS at 27-29 (defining independence standards).

<sup>18</sup> See GAGAS at paras. 5.58 and 5.59. Pursuant to GAGAS requirements for AUP engagements, auditors are required to communicate "significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that comes to the auditors' attention during an agreed-upon procedures engagement." *Id.* at 5.58.

Lifeline universal service support to subscribers on Tribal lands. If the ETC does not receive any Tribal support, those procedures should be omitted.

13. Upon completion of the Fieldwork Testing Procedures, the audit firm will draft an Attestation Report in the format detailed in the Attestation Report section. The reporting section describes the process for issuing draft and final reports.

14. *Timetables.* In order to complete the engagement in a timely manner, the following time schedule for completion of certain tasks is provided:

a. Within 60 days after completion of the fieldwork as described in the Fieldwork Testing Procedures section, but prior to finalization of the report, the independent auditor shall submit a draft of the Attestation Report to the Commission and USAC. ETCs have the option of submitting comments in response to the findings noted in the draft report.

b. Comments to the draft Attestation Report may be provided by the Commission, USAC or the ETC to the audit firm prior to submission of the final report.

c. The final Attestation Report shall be filed with the Commission and USAC no later than one year after release of this Biennial Audit Plan, and biennially hereafter unless otherwise specified by the Bureau.

d. The audited entity shall provide the Attestation Report to the Commission, USAC and relevant state and Tribal governments within 30 days of issuance of the final report. The Commission and USAC shall be deemed authorized users of such reports.

15. *Attestation Report.* Consistent with the GAGAS standards for AUP engagements, the audit firm must present the results of performing the procedures in the form of findings, as appropriate and detailed within the Fieldwork Testing Procedures section, resulting from application of the procedures. The presentation of findings related to each of the specified procedures shall include sufficient detail and specificity that a reader may draw a reasonable conclusion as to whether the respective objective has or has not been met. The audit firm must avoid vague or ambiguous language in reporting the findings and shall describe in the draft and final reports all instances of noncompliance with applicable Commission rules or its related implementing orders that were noted by the audit firm in the course of the engagement, or that were disclosed by the ETC during the engagement and not covered by the performance of these procedures. Where samples are used to test data, the report shall identify the size of the sample, and results from testing the procedures. The draft and final reports shall list the procedures with the results of the test-work performed, and any related findings, the ETC's responses to the findings, and if applicable, the audit firm's reply comments. Upon request by the Commission or USAC, the auditor shall provide its work papers. If there are no findings, the audit firm must indicate such by stating, "No Exceptions Noted." The auditor's report must also contain the following elements:

- a. A title that includes the word independent;
- b. Identification of the specified parties in the engagement;
- c. Identification of the subject matter (or the written assertion related thereto) and the character of the engagement;
- d. Identification of the FCC, USAC, and the ETC as the responsible parties;
- e. A statement that the procedures performed were those contained in this document



or as directed by the Bureau, as specified in Conditions of the Engagement section.

- f. A statement that the AUP attestation engagement was conducted in accordance with attestation standards established by the Government Accountability Office.
- g. A statement that the sufficiency of the procedures is solely the responsibility of the specified parties and a disclaimer of responsibility for the sufficiency of those procedures.
- h. A list of the procedures performed, the results of the testwork performed, and any related findings, the ETC's responses to the findings, and if applicable, the audit firm's reply comments.
- i. A statement that the audit firm was not engaged to and did not conduct an examination of the subject matter, the objective of which would be the expression of an opinion, a disclaimer of opinion on the subject matter, and a statement that if the practitioner had performed additional procedures, other matters might have come to his or her attention that would have been reported.
- j. A statement that this report becomes a matter of public record when the audit firms file the final report with the FCC.
- k. A description of any limitations imposed on the audit firm by the carrier or any other affiliate, or other circumstances that might affect the audit firm's findings.

16. The report must **NOT** include any subscriber phone numbers, names, addresses, birthdates, social security numbers, tribal identification numbers, or any other personally identifiable information or customary proprietary network information.<sup>19</sup>

17. *Audit Planning.* To initiate the audit, the audit firm shall use the following documents to plan the audit engagement: (1) The Requested Documents (Appendix A); (2) Background Questionnaire (Appendix B); and (3) Internal Control Questionnaire (Appendix C). These documents should be provided to the ETC with the audit announcement. For Appendix A, Item 1, the audit firm shall randomly select one month during the audit period to test all of the carrier's study areas (i.e., the same month must be selected for each study area).

18. Upon receipt and review of completed questionnaires and submission of the Requested Documents, the audit firm will then provide Requested Documentation Form 555 & One-Per-Household Worksheet Sample (Appendix D) and Requested Documentation: Subscriber Sample (Appendix E) to the ETC so that the ETC can provide the additional documentation necessary to complete the procedures. The Requested Documentation: USAC Program Management (Appendix F) will be sent to USAC so that USAC can provide data to the audit firm for testing. As part of engagement, the audit firm shall:

- a. Inspect the completed Background Questionnaire and note in the Attestation Report any areas that are not in compliance with the FCC Lifeline rules set forth in Appendix G.

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<sup>19</sup> See 18 U.S.C. § 1028d(7) (definition of personally identifiable information); 47 U.S.C. § 222(h)(1) (definition of customary proprietary network information).

- b. Inspect the completed Internal Control Questionnaire and note in the Attestation Report any questions that were vague, not answered, or answered other than “Yes” and any comments provided by the ETC.

19. *Representation Letters.* The audit firms shall obtain two types of representation (assertion) letters. The first type of representation letter shall address all items of an operational nature (Operational Representation Letter). The second type of representation letter shall address applicable Commission rules and requirements as detailed below (Compliance Representation Letter). The following paragraphs detail the contents of each type of representation letter.

20. The Operational Representation Letter shall be signed by the Chief Operating Officer, or the equivalent, of the audited entity and shall include the following:

- a. The audited entity has made available all records in its control, as a participant in the Lifeline program under the federal USF, necessary to successfully execute the Lifeline agreed-upon procedures attestation engagement.
- b. Carrier is responsible for complying, and has complied, with requirements relating to 47 C.F.R. Part 54 Subparts B and E of the Commission rules governing the administration of the USF for the Lifeline Program.
- c. Pursuant to Commission’s Lifeline rules, the audited entity has only received reimbursement for each qualifying low-income consumer served, and that the reimbursement amount equals the federal support amount, including amounts described in 47 C.F.R. § 54.403(a) and (c).
- d. The audited entity has no knowledge of any fraud or suspected fraud by management/employees of the ETC related to the administration of the Lifeline Program.
- e. The audited entity has responded fully to all inquiries submitted by the auditor in the agreed-upon procedures attestation engagement.
- f. The audited entity has reviewed the draft Attestation Report findings and management letter comments, where applicable, and concur that all non-compliance identified therein are included in the reports or management letters.
- g. The audited entity has no knowledge of any events subsequent to the period of the subject matter being reported on that would have a material effect on the subject matter, or more specifically, the report opinions provided by the auditor, except as has been disclosed.
- h. There have been no notices of action from state or federal regulatory agencies, including the Federal Communications Commission or state public utilities commission that would affect the subject matter, or, more specifically, the report observations provided by the audit firm.

21. The Compliance Representation Letter shall be signed by the Chief Operating Officer, or the equivalent, of the audited entity and shall include the following:

**Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Part 54 of the Federal Communications Commission’s Rules, Regulations and Related Orders**

Management of (name of telecommunications carrier) is responsible for ensuring that the carrier is in compliance with applicable requirements of the Federal Communications Commission (FCC) rules at 47 C.F.R. §§ 54.101, 54.201, and 54.400-54.417 as well as related FCC Orders.

Management has performed an evaluation of the carrier's compliance with the applicable requirements of FCC rules at 47 C.F.R. §§ 54.101, 54.201, and 54.400-54.417, and related FCC Orders with respect to providing discounts to eligible low income consumers and seeking reimbursement from the Universal Service Fund (USF) during the period November 1, 20XX through April 30, 20XX (audit period).

**The Carrier makes the following assertions with respect to the provision of Lifeline service during the audit period:**

A. Carrier Obligation to Offer Lifeline – the (name of Telecommunications Carrier) asserts that it:

1. is an eligible telecommunications carrier (ETC) (47 C.F.R. §§ 54.201(a); *Definition of eligible telecommunications carriers, generally*, which discusses carrier eligibility) and provides the services required for eligibility (54.101(a): *Services designated for support*, and (b): *Requirement to offer all designated services*; which describe the services that an eligible carrier must offer to receive federal universal service support)
2. makes available Lifeline service, as defined in 54.401, to qualifying low-income consumers (47 C.F.R. § 54.405(a): *Carrier obligation to offer lifeline*, which discusses carriers' obligations to offer, publicize, notify and allow lifeline services)
3. publicizes the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service. (47 C.F.R. § 54.405(b): *Carrier obligation to offer lifeline*.) (47 C.F.R. § 54.201(d)(2): *Definition of eligible telecommunications carriers, generally*, which requires the advertising of the availability of services)
4. indicates on all materials describing the service, using easily understood language, that it is a Lifeline service, that Lifeline is a government assistance program, the service is non-transferable, only eligible consumers may enroll in the program, and the program is limited to one discount per household. For the purposes of this section, the term "materials describing the service" includes all print, audio, video, and web materials used to describe or enroll in the Lifeline service offering, including application and certification forms. (47 C.F.R. § 54.405 (c): *Carrier obligation to offer lifeline*.)
5. discloses the name of the eligible telecommunications carrier on all materials describing the service. (47 C.F.R. § 54.405(d): *Carrier obligation to offer lifeline*.)

B. Consumer Qualification for Lifeline – the (name of Telecommunications Carrier) asserts that it:

1. maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, and Toll Limitation services. (47 C.F.R. § 54.409: *Consumer Qualification for Lifeline*, which discusses the certification and verification requirements) This includes that an officer of the carrier:
  - a. asserts that the carrier has implemented policies and procedures for ensuring that their Lifeline subscribers are eligible to receive Lifeline services. (47 C.F.R. § 54.410: *Subscriber eligibility determination and certification*, which also requires compliance with state certification procedures to document consumer eligibility)

C. Submission of Lifeline Worksheet (Form FCC 497) – the (name of Telecommunications Carrier) asserts that it:

1. submitted properly completed FCC Forms 497 for each month, representing discounts actually provided to subscribers, for the audit period, and has the required supporting documentation for the number of subscribers, rates and other information provided on the Form (47 C.F.R. § 54.407: *Reimbursement for offering Lifeline*, which discusses carrier reimbursement for providing Low Income Program support and requires the carrier to keep accurate records in the form directed by USAC and provide the records to USAC)

D. General Recordkeeping and Annual Certification Requirements – the (name of Telecommunications Carrier) asserts that:

1. it maintains records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Notwithstanding the preceding sentence, eligible telecommunications carriers must maintain the documentation required in § 54.410(d) and (f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier. (47 C.F.R. § 54.417(a))
2. if it provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline and Tribal Link Up program. (47 C.F.R. § 54.417(b))
3. complied with the annual certifications by eligible telecommunication carriers. (47 C.F.R. §§ 54.416, 54.522)

Dated [Date], 20XX

\_\_\_\_\_  
Name: Official or Owner of Carrier

and, if applicable

\_\_\_\_\_  
CFO or Senior Official responsible for  
Accounting or USF Compliance

22. *Sampling.* Certain procedures may require testing on a sample basis. To test compliance with certain key risk areas, the auditor will randomly select one month during the audit period and request the ETC to submit a subscriber list which will include all Lifeline subscribers for whom it requested reimbursement using the FCC Form 497s for that selected month (collectively, National Subscriber List). The auditor will randomly select subscribers from the National Subscriber List for the applicable procedures as described in the Fieldwork Testing Procedures section. To test compliance with other key risk areas, the auditor will randomly select a certain number of subscribers and request additional documentation (certification forms, re-certification forms, re-certification notice, termination notice, etc.) as described in the Fieldwork Testing Procedures section.

### III. FIELDWORK TESTING PROCEDURES

**OBJECTIVE I: Carrier Obligation to Offer Lifeline.** To determine if the ETC has procedures in place to make Lifeline services available to qualifying low-income consumers with mandated disclosures regarding requirements to participate in the Lifeline program, and procedures for de-enrolling subscribers when they are no longer eligible to receive Lifeline services.

#### **Standards**

The Commission has adopted rules, set forth in 47 C.F.R. § 54.405, requiring carriers to make available Lifeline services to qualifying low-income consumers using marketing materials that describe the service. For purposes of this rule, the term “marketing materials” includes materials in all media, including but not limited to print, audio, video, and Internet (including email, web, and social networking media) that describe the Lifeline-supported service offering, including application and certification forms. The Commission has also established requirements for de-enrollment where a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under section 54.405 of the Commission’s rules.

#### **Procedures**

1. Inquire of management and obtain carrier policies and procedures in response to Item 4 of Appendix A (Requested Documents) for offering Lifeline service to qualifying low-income consumers. Examine the carrier policies and procedures, and compare management responses and carrier policies and procedure with the Commission’s Lifeline rules set forth in Appendix G. Note any discrepancy between the policies and procedures and the Commission’s rules.
2. Inspect 10 examples of carrier marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A, and note if the materials do not include the following:
  - i. The service is a Lifeline service, which is a government assistance program;
  - ii. The service is non-transferable;
  - iii. Only eligible subscribers may enroll;
  - iv. Only one Lifeline discount is allowed per household; and
  - v. The ETC’s name or any brand names used to market the service.

If all of the examples do not include this required information , identify and note the specific element(s) that are missing from each example.

3. Monitor 10 random incoming calls to telephone number(s) used as customer care for the Lifeline program, as provided in response to Item 8 of Appendix A. Note whether: (1) the telephone number(s) involve the use of interactive voice response (IVR) system; (2) a live customer care operator is available; and (3) the time spent using the customer care telephone service. Also note whether the customer care telephone number(s) can be used by subscribers to notify the ETC of the subscriber’s intent to cancel service or give notification that the subscriber is no longer eligible to receive service.

4. Inspect applicable policies and procedures regarding de-enrollment from the program, including when the ETC will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage, and failure to recertify, as further described below.
  - a. Inspect the ETC's policy and procedures for de-enrollment where the ETC has information indicating that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under 47 C.F.R. §54.409, as provided in response to Item 4 of Appendix A. Note whether the policy and procedures detail the process for communications between the subscriber and ETC regarding de-enrollment, including, but not limited to: (1) notifying subscribers of impending termination of service; (2) allowing subscriber to demonstrate continued eligibility; and (3) termination of service for failure to demonstrate eligibility. Identify any areas that are not in compliance with section 54.405(e)(1) of the Commission's rules.
  - b. Inspect the carrier's policy and procedures for de-enrolling subscribers that are receiving Lifeline service from another ETC or where more than one member of a subscriber's household is receiving Lifeline service (duplicative support). Note if the policy and procedures state that the ETC will de-enroll subscribers within five business days of receiving notification from USAC program management that a subscriber or a subscriber's household is receiving duplicative Lifeline support, as required by section 54.405(e)(2) of the Commission's rules.
  - c. Inspect the carrier's policy and procedures for de-enrolling subscribers for non-usage (i.e., where a Lifeline subscriber fails to use Lifeline service for 60 consecutive days). Using the list provided in response to Item 10 in Appendix A, perform the following:
    - i. For accounts listed as de-enrolled or scheduled for de-enrollment, select a sample of at least 10 accounts and request copies of the non-usage termination notifications sent to the subscribers.
    - ii. Examine the non-usage termination notifications to verify if the termination notifications explain that the subscriber has 30 days following the date of the impending termination notification to use the Lifeline service. Note if any of the non-usage termination notifications do not include this information, as required by section 54.405(e)(3) of the Commission's rules.
    - iii. Attach a sample non-usage termination notification(s).
  - d. Review the carrier's policy and procedures for de-enrolling a Lifeline subscriber that does not respond to the carrier's attempts to obtain re-certification, as part of the annual eligibility re-certification process. For any subscribers identified in Item 9.i, j and m of Appendix A, select a random sample of at least 30 and request copies of the notice of impending de-enrollment letters and all other communications sent to the subscribers involving recertification and perform the following:
    - i. Inspect the sampled notice of impending de-enrollment letters and any other communications sent to the subscriber regarding re-certification to verify if the communications explain that the subscriber has 30 days following the date of the notice of impending de-enrollment letter to demonstrate continued eligibility or the carrier will terminate the subscriber's Lifeline service. Note if any of the impending de-enrollment letters do not include this information.
    - ii. Review the de-enrollment letters, and other forms of communications, and the carrier's responses to the background questionnaire and verify through observation that the de-enrollment letters, if that form of communication was



used, were sent by a method separate from the subscriber's bill (if a customer receives a bill from the carrier).

- iii. Attach a random sample of at least 5 examples of the impending de-enrollment letters to this procedure, and attach other form of communications provided to the carrier.

**OBJECTIVE II: Consumer Qualification for Lifeline. To determine if the ETC has procedures in place to limit Lifeline service to qualifying low-income consumers and ensure that Lifeline service is limited to a single subscription per household.**

### **Standards**

The Commission has adopted rules, set forth in 47 C.F.R. § 54.409, establishing eligibility criteria for consumers to be qualified to receive Lifeline services and limiting Lifeline support to a single subscription per household. The Commission has also adopted rules, set forth in 47 C.F.R. § 54.407 establishing that universal service support for providing Lifeline shall be provided directly to an eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves.

### **Procedures**

1. Inquire of management and obtain carrier policies and procedures for limiting Lifeline support to a single subscription per household as provided by the carrier in response to Item 4 of Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in 54.409(c) (Appendix G). Note any discrepancies between the policies and procedures and the Commission's rule.
2. Obtain the National Subscriber List in response to Item 1 of Appendix A. Obtain the carrier's Form 497(s) for each study area for the selected month as provided by USAC in response to Item 1 of Appendix F. Examine the number of subscribers claimed on the Form(s) 497. Compare the number of subscribers reported on the Form 497(s) to the number of subscribers contained on the National Subscriber List for each study area. Note any discrepancies in the number of subscribers.
3. Using computer-assisted audit techniques, examine the National Subscriber List and note if there are any:
  - a. Duplicate phone numbers;
  - b. Duplicate addresses, same subscribers (same name, birth date, and last four of Social Security Number);
  - c. Duplicate addresses, different subscribers;
  - d. P.O. Boxes;
  - e. Blanks or missing data; and
  - f. Unusual notations (e.g., N/A, symbols, etc.).

Note: In the final report, only state the number of instances noted for each test item above. For example, in the final report, note the number of duplicate phone numbers, but do NOT include the actual phone number.

4. From the testwork completed in #3.c. above, examine the list of duplicate addresses for different subscribers. Randomly select up to 30 of the duplicate addresses and perform the following:
  - a. Request copies from the ETC of the one-per-household certification form for each of the selected duplicate addresses. Verify at least one subscriber from the duplicate addresses certified to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet. Note the number of missing or incomplete certifications.

**OBJECTIVE III: Subscriber Eligibility Determination and Certification. To determine if the ETC implemented policies and procedures for ensuring that their Lifeline subscribers are eligible to receive Lifeline services.**

### **Standards**

The Commission has adopted rules, set forth in 47 C.F.R. § § 54.409 and 54.410, that require ETCs to implement policies and procedures for ensuring that their subscribers are eligible to receive Lifeline services.

The Commission's rules, set forth in 47 C.F.R. § 54.409, include requirements for determining whether a consumer is qualified to receive Lifeline service. Pursuant to these rules: (1) the consumer's household income as defined in § 54.400(f) must be at or below 135% of the Federal Poverty Guidelines for a household of that size; (2) the consumer, one or more of the consumer's dependents, or the consumer's household must receive benefits from one of the qualifying federal assistance programs; or (3) the consumer must meet additional eligibility criteria established by a state for its residents, provided that such-state specific criteria are based solely on income or other factors directly related to income.

### **Procedures**

1. Inquire of management and obtain carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by the carrier in response to Item 4 of Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in section 54.410 (Appendix G). Note any discrepancies between the policies and procedures and the Commission's rule.
  - a. Inspect the ETC's policies and look for evidence as to whether it includes a policy that the ETC does not retain copies of subscribers' proof of income- or program-based eligibility. Note in the Attestation Report if such a policy is not included.
  - b. Inspect the ETC's policies and look for evidence as to whether it includes a policy or procedure that the ETC must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that the ETC or its agents may not provide the consumer with an activated device intended to enable access to Lifeline service until that consumer's eligibility is fully verified and all other necessary enrollment steps have been completed.
2. Examine the ETC's policies and procedures for training employees and agents for ensuring that the ETC's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how the company ensures employees and agents have completed the training. In the report, summarize the training requirements and ETC policies for ensuring employees and agents are trained on the rules for ensuring subscribers are eligible to receive Lifeline services and have completed all forms necessary to receive service. Include information provided regarding the timing, frequency and evidence of completion of the initial and any subsequent Lifeline subscriber eligibility and certification trainings required of the ETC's employees.
3. Randomly select at least 100 subscribers from the National Subscriber List and for the first 50 of the sampled subscribers, the auditor will perform the test described below, for each of the

subscriber's certification and recertification forms.<sup>20</sup> After performing the tests described below for the first 50 sampled subscriber, if the error rate is higher than 5 percent, the auditor should apply the same procedure to the remaining 50 subscribers in the sample and record the results.

- a. Examine the subscriber certification forms, if any, to verify the forms contain the following information:
  - 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 at the same address and share income and expenses;
  - iv. A household is not permitted to receive Lifeline benefits from multiple providers;
  - v. Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the subscriber's de-enrollment from the program;
  - vi. Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person;
  - vii. Require each prospective subscriber to provide the following information:
    1. The subscriber's full name;
    2. The subscriber's full residential address;
    3. Whether the subscriber's residential address is permanent or temporary;
    4. The subscriber's billing address, if different from the subscriber's residential address;
    5. The subscriber's date of birth;
    6. 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;
    7. 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; and
    8. 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.
  - viii. Require each prospective subscriber to certify, under penalty of perjury, that:
    1. The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409;
    2. The subscriber will notify the ETC within 30 days if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program-based criteria for receiving Lifeline service, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit.

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<sup>20</sup> In the event the auditor chooses a sampled subscriber that enrolled in the program prior to June 1, 2012 (before the effective date of section 54.410 of the Commission's rules), the auditor should randomly select another subscriber that enrolled in the program after June 1, 2012. Subscribers enrolled in Lifeline service subsequent to June 1 are subject to the initial certification process but are not subject to the re-certification process for that year.

3. If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e);
  4. If the subscriber moves to a new address, he or she will provide that new address to the ETC within 30 days;
  5. 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;
  6. The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge,
  7. The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and
  8. 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).
- ix. Compare the ETC's subscriber eligibility criteria on the certification forms to the federal eligibility criteria listed in per 47 C.F.R. § 54.409. Note any discrepancies. **Note:** The ETC may list the eligibility criteria in its entirety or may allow the subscriber to note only his/her qualifying criterion on the form.
  - x. Verify the subscriber completed all the required elements as identified in Objective III – 3 a. above, including signature and initialing/checkbox requirements contained in the certification form.
  - xi. Examine the subscriber's initial certification form to verify the initial certification form is dated prior to or on the same day as the Lifeline start date per the National Subscriber List.
  - xii. If applicable, verify subscribers who received Tribal Lifeline support certified to residing on Tribal lands.
- b. Review the list of the data source or documentation the ETC reviewed to confirm the subscriber's eligibility. Verify the recorded data sources are eligible data sources per 47 C.F.R. § 54.410, such as (1) income or program eligibility databases, (2) income or program eligibility documentation, or (3) confirmation from a state administrator.



**OBJECTIVE IV: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers. To determine if ETCs have made and submitted to the Universal Service Administrative Company the required annual certifications, under penalty of perjury, relating to the Lifeline program by an officer of the company and maintained recordkeeping requirements.**

#### **Standards**

The Commission's rules, set forth in 47 C.F.R. §§ 54.416, 54.422, require that an officer of the company must certify that the ETC has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services and ETC is in compliance with all federal Lifeline certification procedures. ETCs must make this certification annually to USAC as part of the carrier's submission of recertification data pursuant to the Commission's rules.

The Commission also requires under its rules, set forth in 47 C.F.R. §§ 54.417, that it must maintain records to document compliance with all Commission requirements and state requirements governing the Lifeline program for the three full preceding calendar years and must maintain the documentation required in § 54.410(d) and (f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, and provide the documentation to the Commission or USAC upon request.

#### **Procedures**

1. Inquire of management and obtain carrier policies and procedures for ensuring that the carrier has made and submitted the annual certifications required under sections 54.416 and 54.422 of the Commission's rules, as provided in Item 12 of Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in sections 54.416 and 54.522 (Appendix G). Note any discrepancies between the policies and procedures and the Commission's rules.
2. Examine the ETC's Form 555 that was filed during the audit period. Verify the carrier made all of the following certifications. An officer of each ETC must certify that s/he understands the Commission's Lifeline rules and requirements and that the carrier:
  - a. Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services;
  - b. Is in compliance with all federal Lifeline certification procedures; and
  - c. In instances where an ETC confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. § 54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources the ETC used to confirm eligibility.
3. Examine the ETC's organizational chart provided in response to Item 5 of Appendix A. Verify that the certifying officer on the Form 555 is an officer per the organizational chart or other publicly available documents.
4. Verify that the subscriber count per the Form 555 agrees with the total subscriber count per the applicable Form 497. *Note: The Form 555 is completed by the carrier at the state level (not the study area level). If the carrier has two study areas in one state, the carrier must combine the results of both study areas and complete one Form 555 for that state.*

5. Review the ETC's detailed recertification results of the individual subscribers reported on the Form 555, as provided in Item 9 of Appendix A. Verify that the data reported on the Form 555 agrees with the detailed recertification results.
6. Review the ETC's detailed non-usage results of the individual subscribers reported on the Form 555, as provided in Item 10 of Appendix A. Verify that the data reported on the Form 555 agrees with the detailed non-usage results.
7. Review the carrier's annual ETC certification, as provided in Item 13 of Appendix A. Verify that the ETC reported all the information and made all the certifications required by 47 C.F.R. § 54.422(a)(b).
8. Review any supporting schedules related to the carrier's annual ETC certification, as provided in Item 13 of Appendix A. Verify that the data reported on the annual ETC certification agrees with the supporting schedules.
9. Inquire of management and obtain carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules, as provided by the carrier in response to Item 4 of Appendix A. Examine the policies and procedures. Compare the management responses and carrier policies with recordkeeping rules set forth in 47 C.F.R. § 54.417. Note any discrepancies between the policies and procedures and the Commission's rule.

## APPENDIX A

### Requested Documentation

The documentation referenced herein must be provided by the ETC. Please ensure the provided documentation is applicable and effective for the data reported on the Form 497s submitted for November 1 to April 30 (audit period) and the Form 555 filed during the audit period.

**Instructions:** Please provide the requested documentation, or indicate if a requested item is not applicable. If the ETC is unable to provide an item by the established due date, or are unclear about the requirements for a specific item, please contact the auditor as soon as you are aware of any delays or questions.

Please return the requested documentation on or before "**[type Requested Date]**".

Request #	Requested Documentation
1.	<p><b>Electronic</b> subscriber list of the subscribers claimed for the month of _____ 20xx for <b>ALL</b> study areas with the following data (National Subscriber List):</p> <ul style="list-style-type: none"> <li>a. Study area code</li> <li>b. Subscriber first and last name;</li> <li>c. Subscriber address (physical/service address);</li> <li>d. Subscriber apartment, unit, or lot number (as applicable);</li> <li>e. Subscriber city, state, and zip code;</li> <li>f. Subscriber telephone number;</li> <li>g. Subscriber date of birth;</li> <li>h. Last four digits of the subscriber's Social Security Number or tribal identification number;</li> <li>i. Service start date (i.e., when the subscriber first obtained service)</li> <li>j. Lifeline start date (i.e., when the subscriber first began receiving low-income discounts)</li> <li>k. Lifeline disconnect date (if applicable)</li> <li>l. Dollar value of low-income discounts provided.</li> </ul> <p><b>Note:</b> The data should be formatted so that one subscriber represents one record (i.e., row). Please use the suggested formatting in this template as a guide when preparing the subscriber list:</p> <p><a href="http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-13-2016A2.xlsx">http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-13-2016A2.xlsx</a></p>
2.	Completed Background Questionnaire.
3.	Completed Internal Control Questionnaire.
4.	Written policies and procedures (if any) describing processes related to the Lifeline Program, including but not limited to the enrollment process (including any standard scripts used when enrolling new subscribers), eligibility determinations, de-enrollment process, training for employees/agents, limiting Lifeline service to a single household, document retention, etc.
5.	"[type Beneficiary's Name]" 's Organizational Chart, to include the owner/management of "[type Beneficiary's Name]" and those individuals responsible for processing, reviewing, and approving the Form 497 and Form 555 (may be separate organizational charts). Please identify those individuals who are officers of the organization as listed in the article of incorporation, articles of formation, or other similar legal document.

6.	Copies of 5 examples of marketing materials used to advertise the ETC's Lifeline service plans.
7.	List of all websites used to advertise Lifeline service.
8.	List of all telephone numbers used as customer care for the Lifeline program.
9.	<p><b>Electronic</b> subscriber list of the subscribers that were recertified during the audit period and reported on the Form 555 with the following data:</p> <ul style="list-style-type: none"> <li>a. Subscriber first and last name;</li> <li>b. Subscriber address (physical/service address);</li> <li>c. Subscriber apartment, unit, or lot number (as applicable);</li> <li>d. Subscriber city, state, and zip code;</li> <li>e. Subscriber telephone number;</li> </ul> <p>On the subscriber list, please identify each subscriber as follows:</p> <ul style="list-style-type: none"> <li>f. Lines provided to wireline resellers (Form 555 Column B);</li> <li>g. Subscribers contacted directly to re-certify eligibility (Form 555 Column C);</li> <li>h. Subscribers who responded to direct contact to re-certify eligibility (Form 555 Column D);</li> <li>i. Subscribers who responded to direct contact that they are no longer eligible (Form 555 Column F);</li> <li>j. Subscribers who de-enrolled prior to the direct contact to re-certify eligibility (Form 555 Column H);</li> <li>k. Subscribers whose eligibility was reviewed by a state administrator or via access to eligibility data (Form 555 Column I);</li> <li>l. Subscribers whose eligibility was reviewed by a state administrator or via access to eligibility data who were found to be ineligible (Form 555 Column J); and</li> <li>m. Subscribers who de-enrolled prior to state administrator re-certification attempt or review of eligibility data (Form 555 Column L).</li> </ul> <p><b>Note:</b> The data should be formatted so that one subscriber represents one record (i.e., row). Please use the suggested formatting in this template as a guide when preparing the re-certification results:</p> <p><a href="http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-13-2016A3.xlsx">http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-13-2016A3.xlsx</a></p>
10.	<p><b>Electronic</b> list of the subscribers reported as de-enrolled for non-usage on the Form 555 due during the audit period with the following data: <i>[Applicable only to ETCs that do not assess/collect a monthly fee; review Form 555 data prior to including this request.]</i></p> <ul style="list-style-type: none"> <li>a. Subscriber first and last name;</li> <li>b. Subscriber address (physical/service address);</li> <li>c. Subscriber apartment, unit, or lot number (as applicable);</li> <li>d. Subscriber city, state, and zip code;</li> <li>e. Subscriber telephone number; and</li> <li>f. De-enrollment month for non-usage.</li> </ul> <p><b>Note:</b> The data should be formatted so that one subscriber represents one record (i.e., row). Please use the suggested formatting in this template as a guide when preparing the non-usage results:</p> <p><a href="http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-13-2016A4.xlsx">http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-13-2016A4.xlsx</a></p>
11.	A sample of de-enrollment letters and communications that were sent to subscribers as described in Objective I, Fieldwork Testing Procedures.

12.	Written policies and procedures for ensuring that the ETC has made and submitted the annual certifications required under sections 54.416 and 54.422 of the Commission's rules.
13.	Copy of the ETC's annual ETC certification and report filed with the Commission as required under sections 54.416 and 54.422.

After reviewing the above documentation, we may request additional items to assist us with this audit, including documentation for a sample of individual subscribers. As always, your cooperation is greatly appreciated.



## 14054

[illegible]





## APPENDIX B

### Background Questionnaire

The information contained herein is to be provided by the ETC. Please ensure your responses are applicable and effective for the data reported on the Form 497 and Form 555 submitted for November 1 to April 30 (audit period) for all study areas. If an answer varies depending upon the study area, please indicate the applicable study area code beside each answer.

**Instructions:** Please complete the questionnaire in its entirety. Any unanswered questions or vague responses will result in additional follow-up questions, which may increase the burden. If a question is unclear, please contact the auditor so that the auditor may provide a better understanding of the type of information that is needed. If a question is not applicable to your environment, please indicate with "N/A."

Please return this questionnaire on or before **"[type Requested Date]"**.

#### A. Enrollment, Certification, and Activation

1. Who are the responsible parties for determining the eligibility of Lifeline subscribers (e.g., individuals in your company, including agents or third parties acting on behalf of your company, state commission, third party administrators, other intermediary, etc.)? Please be as specific as possible.
2. What type of training does your company offer to employees, agents and/or third parties acting on behalf of the company regarding the process of ensuring only eligible consumers enroll in the Lifeline program and how often is that training provided? Please provide documentary evidence that the company offers training to its employees, agents, or third parties.
3. If the answer to #1 is "individuals in your company," for each state in which your company receives Lifeline reimbursement during the audit period, what method is used to determine subscribers' eligibility (e.g., review of program eligibility and/or income documentation, review of program eligibility and/or income databases, etc.)?
4. If the answer to #1 is "state commission, third party administrators, or other intermediary," for each state in which your company receives Lifeline reimbursement during the audit period, what method does the state commission, third party administrators, or other intermediary use to determine subscribers' eligibility?
5. If the answer to #3 is "a review of program eligibility and/or income documentation," for each state in which your company receives Lifeline reimbursement during the audit period, please list the types of documentation reviewed.
6. If the answer to #3 is "a review of program eligibility and/or income databases," for each state in which your company receives Lifeline reimbursement during the audit period, please list the databases used.
7. What types of documentation and/or information are maintained as evidence of a subscriber's income- or program-based eligibility (e.g., certification forms, proof of income- or program-based eligibility, etc.)? Please provide documentary evidence that such documentation and information is collected.

8. When does a subscriber become eligible for inclusion in the monthly Form 497 claim (e.g., when the certification form is received, when the Lifeline service is activated, etc.)?
9. After the subscriber receives his/her mobile device that can be used for Lifeline service, what steps must the subscriber perform to activate the device/service? Please provide documentation that states this procedure for the company or any written materials used to explain activation.  
*[Only applicable to Wireless ETCs.]*
10. How is a customer informed of the usage requirement, if applicable? Please provide documentary evidence that consumers are informed that there is a usage requirement.

## **B. Recertification**

1. Who are the responsible parties for completing the Form 555 that is submitted to USAC? Please be as specific as possible and provide documentary evidence, if available.
2. Who are the responsible parties for confirming the continued eligibility of Lifeline subscribers (e.g., individuals in your company, including agents or third parties acting on behalf of your company, state commission, third party administrators, other intermediary, etc.)? Please be as specific as possible and provide documentary evidence, if available.
3. If the answer to #2 is “individuals in your company,” please list the individuals and identify what method is used to confirm subscribers’ continued eligibility (e.g., direct contact, review of program eligibility and/or income databases, etc.).
4. If the answer to #2 is “state commission, third party administrators, or other intermediary,” how often and what method does the state commission, third party administrators, or other intermediary use to confirm subscribers’ continued eligibility?
5. If the answer to #3 is “direct contact,” how are re-certification requests provided to subscribers (e.g., mailed re-certification forms, recorded phone calls, text messages, etc.)?
6. If the answer to #3 is ‘a review of program eligibility and/or income databases,’ please list the databases used.

## **C. De-Enrollment**

### *General*

1. In what ways does your company become aware that a subscriber is no longer eligible to receive Lifeline service (e.g., subscriber notification, state administrator notification, etc.)?
2. How is a subscriber notified that Lifeline service will be terminated when your company has a reasonable basis to believe the subscriber is no longer eligible to receive Lifeline support? Please provide documentary evidence that subscribers are notified of termination.
3. If a subscriber wants to notify the ETC that he/she wants to cancel service or that he/she is no longer eligible for service, how does the subscriber make such notification? If it involves use of telephone numbers and/or websites, please submit all such telephone numbers and websites of how the subscriber contacts the ETC.

4. When is Lifeline service terminated for a subscriber who notifies the company that s/he is no longer eligible for or wants to cancel service with the ETC?
5. When is Lifeline service terminated for subscribers who are identified by the state commission, third party administrator, or other intermediary as no longer eligible for Lifeline support?
6. When is Lifeline service terminated for subscribers who fail to demonstrate continued eligibility?

*Duplicative Support*

7. After receiving notification from USAC management that a subscriber is receiving a duplicate Lifeline-supported service, when is Lifeline service terminated for the applicable subscriber? Please provide documentary evidence that those customers identified by USAC are de-enrolled within your company's procedural timeframe for de-enrollment.

*Non-Usage*

8. If your company does not assess and collect a monthly fee from Lifeline subscribers, how and when is a subscriber notified that Lifeline service will be terminated if the Lifeline-supported service is not used?
9. When is Lifeline support terminated for subscribers who fail to respond?
10. How does the company track non-usage, both at a subscriber-level and a company-wide level? Please provide any documentary evidence that shows how the company tracks non-usage.

*Failure to Recertify*

11. If subscribers are contacted directly for re-certification, how and when is a subscriber notified that Lifeline service will be terminated if the subscriber does not respond to the re-certification attempt? Please provide documentary evidence of a termination notification.
12. When is Lifeline service terminated for subscribers who fail to respond?

**D. Form 497**

*General*

1. Who are the responsible parties for completing the Form 497 that is submitted to USAC? Please be as specific as possible.
2. How does your company determine which subscribers should be included in the monthly Form 497 claim (e.g., all subscribers that received Lifeline Program service during the month, billing cycle dates, only those subscribers active as of the start or end of the month, etc.)?
3. If a date range or cut-off date was used to determine which subscribers were included in filing the Form 497, what was the date range or cut-off date? Please provide documentary evidence of this cut-off date.

### *Duplicates*

4. What is your company's process to prevent a subscriber from obtaining a duplicate Lifeline account? Please provide any documentary evidence that details your company's process of preventing duplicate consumers.
5. What is your company's process to identify duplicate accounts and those subscribers who need to complete the One-Per-Household Worksheet? Please provide any documentary evidence that details your company's process.
6. What is your company's process to eliminate duplicate accounts? Please provide any documentary evidence that details your company's process of eliminating duplicate accounts.
7. What is your company's process for making sure there are no duplicate accounts claimed on the Form 497? Please provide any documentary evidence that details your company's process.

### *Tribal Support*

8. How was the Tribal Lifeline rate claimed on Form 497s during the audit period calculated?  
*[Applicable only if Tribal Lifeline support claimed and received.]*

## **E. Regulatory and Compliance**

1. Has your company been subject to any internal or external audits (including reviews, attestations, or investigations) that include or relate to reimbursements received during the audit period?  
  
☐ Yes                      ☐ No
2. If the answer to #1 is 'yes,' please list the type of audit performed, the period covered, and which organization performed the audit. Please include financial statement, information system, compliance, and internal control audits in the list.
3. Has your company complied with all the Commission's rules and requirements for the Lifeline Program?  
  
☐ Yes                      ☐ No
4. If the answer to #3 is 'no,' please describe any areas of noncompliance.
5. Has your company been involved (directly or indirectly) with any investigation or legal proceedings that could appear to have a direct or indirect impact on the Lifeline Program support received or your process for complying with the Commission's rules and Lifeline Program requirements?  
  
☐ Yes                      ☐ No
6. If the answer to #5 is 'yes,' please explain.

## APPENDIX C

### Internal Control Questionnaire

To be completed by the ETC. Please ensure your responses are applicable and effective as of the audit period for all states in which the ETC receives Lifeline reimbursement during the audit period

**Instructions:** Please complete the questionnaire in its entirety. Any unanswered questions or vague responses will result in additional follow-up questions, which may reduce the efficiency of the audit. If a question is unclear, please contact the auditor so that the auditor may provide a better understanding of the type of information that is needed. **Please provide comments for any answers of No, Unsure, or N/A.**

Please have one person for the entire company who is involved in the Lifeline process complete and return this questionnaire on or before **"[type Requested Date]"**.

	Questions	Yes	No	Unsure or N/A	Comments
<b>CONTROL ENVIRONMENT</b>					
1.	Does the person(s) reviewing and approving subscribers' eligibility criteria possess the required knowledge, skills, and abilities? Please provide documentary evidence of training that such a person has received training and provide copies of training materials on this subject.				
2.	Does the person(s) calculating Lifeline Program discounts and assigning Lifeline codes to subscribers' accounts possess the required knowledge, skills, and abilities? Please provide any training materials on this subject that are given to the appropriate person(s).				
3.	Does the person(s) preparing, reviewing, and approving all Lifeline filings possess the required knowledge, skills, and training to perform the job adequately? Please provide documentary evidence that such persons meet the above standards.				
4.	Has the company designated an individual responsible for compliance? Does that individual have the necessary authority, independence, and resources to ensure corporate compliance? Is the financial compensation of that person linked to compliance performance?				
5.	Is there appropriate assignment of responsibility and delegation of authority for reporting decisions?				
6.	Does management promote an environment of integrity and high values?				
7.	Are deviations from acceptable practices and violations from policies and procedures addressed in a timely manner and disciplinary actions taken? Please provide any documentation that explains what deviations are acceptable.				

	Questions	Yes	No	Unsure or N/A	Comments
8.	Do management decisions and actions portray an attitude that compliance with laws, rules, and regulations affecting the organizations are of the utmost importance?				
9.	Is there a code of conduct / code of ethics in place and does it address receipt of federal universal service fund (USF) support? Please provide documentary evidence.				
10.	Is management aware that they are responsible for identifying and mitigating fraud risks, particularly as it relates to receipt of USF support, including Lifeline reimbursements?				
<b>RISK ASSESSMENT</b>					
11.	Mechanisms exist to identify risks of faulty reporting caused by such items as lack of current knowledge of, inconsistent application of, or carelessness or disregard for standards and reporting requirements of the Lifeline Program? Please provide documentation regarding risk assessment training.				
12.	Management identifies risk that underlying source data used to compile data for the Lifeline filing process may not be reliable?				
13.	Has the company performed a risk assessment to identify significant compliance risks? Has the company established controls to mitigate the identified significant compliance risks?				
14.	Management provides staff with the appropriate level of authority, resources, and time to accomplish goals?				
15.	Management applies only reasonable (not excessive) pressure on employees to accomplish tasks?				
16.	Management's objectives and goals are reasonable and attainable?				
<b>CONTROL ACTIVITIES</b>					
17.	Manual criteria checklists or automated processes are used in making eligibility determinations and in ensuring compliance with other Lifeline Program rules?				
18.	Written policy exists that establishes responsibility and provides procedures for periodically verifying the accuracy of information?				
19.	Supervisory review of Lifeline filings are performed to assure accuracy and completeness of data and information included prior to filing of Form 497?				
20.	A formal fraud policy exists, which defines fraud and appropriate actions to be taken with respect to instances of fraud. The policy is formally communicated to all employees?				
21.	A whistleblower program is in place and is periodically reviewed to ensure it is designed and operating effectively?				
22.	A formal Information Security policy exists (to protect sensitive subscriber data and to safeguard subscriber accounts from the misapplication of Lifeline discounts)?				



	Questions	Yes	No	Unsure or N/A	Comments
23.	Segregation of duties exists between incompatible duties (e.g., the individual who compiles the Form 497 and Form 555 does not approve the forms)?				
24.	Management has established procedures to prevent i) Unauthorized access to; ii) Inadequate retention of; or iii) Improper destruction of records?				
25.	Employees who violate state or federal laws/regulations, Lifeline Program rules, and related requirements affecting the organization will be subject to disciplinary actions?				
<b>INFORMATION &amp; COMMUNICATION</b>					
26.	Information system meets needs of decision-makers and management?				
27.	Processing of information is subject to edit checks?				
28.	Channels of communication exist for people to report suspected improprieties?				
29.	Management has clearly communicated the behavior that is expected?				
30.	Employees who report suspected improprieties are protected from reprisal?				
<b>MONITORING</b>					
31.	Periodic review of the internal controls in relation to subscriber eligibility determination is conducted by management? Please provide a timetable for review.				
32.	Periodic review of the internal controls in relation to the Lifeline filing process is conducted by management? Please provide a timetable for review.				
33.	Turnover in management or supervisory personnel is monitored and the reasons for significant turnover are evaluated?				
34.	Information Technology (IT) application controls and general controls are periodically reviewed to ensure it is designed and operating effectively?				
35.	Actual losses arising from violations of laws/regulations and Lifeline Program rules and related requirements are regularly identified, measured, and reported to the board of directors, or other appropriate body within the company?				

**Please also provide your responses to the following questions:**

36. What systems are used to compile the number of subscribers reported on the Form 497 and Form 555?
37. What controls are in place to validate the accuracy of the Form 497 and Form 555 data produced by the systems (e.g., edit checks)? How often are these controls tested? When was the most recent test?
38. Who has access to these systems, including systems that are outsourced to third-party vendors? What controls are in place to prevent unauthorized access?
39. Has the internal control environment at any third party vendors/outsourced service organization been documented and tested by an independent third party for the relevant functions (e.g., SAS 70)?
40. Are system access and permissions (e.g., read, write, execute, etc.) periodically reviewed to ensure personnel only have the systems permissions required by their job responsibilities?
41. Are critical data files periodically backed up and stored in a secure off-site location?
42. Does your company have a documented IT business continuity and disaster recovery plan?
43. Where network connectivity is used, are appropriate controls (e.g., firewalls, intrusion detection, vulnerability assessments, etc.) used to prevent unauthorized access?
44. Are you aware of instances where questionable transactions/activities were not properly and/or adequately disclosed to senior management, the board of directors, the state commission, the Commission, or USAC?
- ☐ Yes    ☐ No
45. If the answer to #42 is 'yes,' please explain.
46. In your opinion, what areas or processes relating to the Lifeline filing process are most susceptible to fraud?
47. Do you or did you have any suspicions or knowledge of fraudulent activity?
- ☐ Yes    ☐ No
48. If the answer to #47 is 'yes,' please explain.
49. If the answer to #47 is 'yes,' did you report your suspicions or knowledge of fraudulent activity?
- ☐ Yes    ☐ No            ☐ Not Applicable
50. If the answer to #49 is 'no,' please explain why you did not report your suspicions or knowledge of fraudulent activity.
51. If the answer to #49 is 'yes,' please indicate to whom you reported the fraudulent activity.
52. If the answer to #49 is 'yes,' what was the outcome?

## APPENDIX D

### **Requested Documentation: Form 555 & One-Per-Household Sample**

Please ensure the provided documentation is applicable and effective for the data reported on the Form 497 submitted for audit period and the Form 555 filed during the audit period.

**Instructions:** Please provide the requested documentation for each of the subscribers in the Subscriber Sample described in the Fieldwork Testing Procedures section, or indicate if a requested item is not applicable. If you are unable to provide an item by the established due date, or are unclear about the requirements for a specific item, please contact the auditor as soon as you are aware of any delays or questions.

Please return the requested documentation on or before "**[type Requested Date]**".

<b>Request #</b>	<b>Requested Documentation</b>
1.	Re-certification/termination notification templates related to the re-certification process reported on the Form 555 during the audit period for the random sample on the Subscriber List.
2.	Subscriber one-per-household form, if any, obtained for the following sample of subscribers: <i>To be selected from subscribers identified as different individuals with the same address in the one-per-household testing.</i> <b>[Insert Excel object with subscriber sample.]</b>

After reviewing the above documentation, we may request additional items to assist us with this audit. As always, your cooperation is greatly appreciated.

## APPENDIX E

### Requested Documentation: Subscriber Sample

Please ensure the provided documentation is applicable and effective as of the audit period.

**Instructions:** Please provide the requested documentation for each of the subscribers in the Subscriber Sample described in the Fieldwork Testing Procedures section, or indicate if a requested item is not applicable. If you are unable to provide an item by the established due date, or are unclear about the requirements for a specific item, please contact the auditor as soon as you are aware of any delays or questions.

<b>Subscriber Sample</b>
<b>[Insert Excel object with subscriber sample.]</b>

Please return the requested documentation on or before "**[type Requested Date]**".

<b>Request #</b>	<b>Requested Documentation</b>
1.	Initial subscriber certification form obtained at subscriber enrollment and any re-certification forms.
2.	Subscriber re-certification form, if any, obtained between <b>May "[type Applicable Year]"</b> and <b>"[type Audit Period]"</b> .
3.	A list of the data source or documentation the carrier reviewed to confirm the subscriber's eligibility.

After reviewing the above documentation, we may request additional items to assist us with this audit. As always, your cooperation is greatly appreciated.

## APPENDIX F

### Requested Documentation: USAC Management

For the carrier(s) noted below, please provide the requested documentation, or indicate if a requested item is not applicable.

Carrier	Study Area Code	Audit Period
"[type Carrier]"	"[type Study Area Code]"	"[type Audit Period]"

Please return the requested documentation on or before **"[type Requested Date]"**.

Request #	Requested Documentation	USAC Management Notes
1.	The Form 497 for _____, 20xx for each of the carrier's study areas and the applicable Form 497 that correspond to the Form 555 filed during the audit period.	
2.	The Form 555 filed during the audit period.	
3.	The results of any reviews or non-duplicate claim in-depth data validations (IDVs).	

## APPENDIX G

### Compliance Requirements

The requirements that will be covered in the biennial audit are intended to achieve the purpose of the biennial audit as defined and in 47 C.F.R. Sections 54.101, 54.401, 54.403, 54.405, 54.407, 54.409, 54.410, 54.416, 54.417, and 54.422 of the Commission's rules and regulations. Below is a listing of those requirements:

#### Definitions

##### **54.101 Supported services for rural, insular and high cost areas.**

(a) *Services designated for support.* Voice Telephony services shall be supported by federal universal service support mechanisms. Eligible voice telephony services must provide voice grade access to the public switched network or its functional equivalent; minutes of use for local service provided at no additional charge to end users; access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911, to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems; and toll limitation services to qualifying low-income consumers as provided in subpart E of this part.

##### **54.400 Terms and definitions.**

As used in this subpart, the following terms shall be defined as follows:

(a) *Qualifying low-income consumer.* A "qualifying low-income consumer" is a consumer who meets the qualifications for Lifeline, as specified in § 54.409.

(b) *Toll blocking service.* "Toll blocking service" is a service provided by an eligible telecommunications carrier that lets subscribers elect not to allow the completion of outgoing toll calls from their telecommunications channel.

(c) *Toll control service.* "Toll control service" is a service provided by an eligible telecommunications carrier that allows subscribers to specify a certain amount of toll usage that may be incurred on their telecommunications channel per month or per billing cycle.

(d) *Toll limitation service.* "Toll limitation service" denotes either toll blocking service or toll control service for eligible telecommunications carriers that are incapable of providing both services. For eligible telecommunications carriers that are capable of providing both services, "toll limitation service" denotes both toll blocking service and toll control service.

(e) *Eligible resident of Tribal lands.* An "eligible resident of Tribal lands" is a "qualifying low-income consumer," as defined in paragraph (a) of this section, living on Tribal lands. For purposes of this subpart, "Tribal lands" include any federally recognized Indian tribe's reservation, pueblo, or colony, including former reservations in Oklahoma; Alaska Native regions established pursuant to the Alaska Native Claims Settlement Act (85 Stat. 688); Indian allotments; Hawaiian Home Lands—areas held in trust for Native Hawaiians by the state of Hawaii, pursuant to the Hawaiian Homes Commission Act, 1920 July 9, 1921, 42 Stat. 108, *et. seq.*, as amended; and any land designated as such by the Commission for purposes of this subpart pursuant to the designation process in § 54.412.

(f) *Income*. “Income” is all income actually received by all members of a household. This includes salary before deductions for taxes, public assistance benefits, social security payments, pensions, unemployment compensation, veteran's benefits, inheritances, alimony, child support payments, worker's compensation benefits, gifts, lottery winnings, and the like. The only exceptions are student financial aid, military housing and cost-of-living allowances, irregular income from occasional small jobs such as baby-sitting or lawn mowing, and the like.

(g) *Duplicative support*. “Duplicative support” exists when a Lifeline subscriber is receiving two or more Lifeline services concurrently or two or more subscribers in a household are receiving Lifeline services or Tribal Link Up support concurrently.

(h) *Household*. A “household” is any individual or group of individuals who are living together at the same address as one economic unit. A household may include related and unrelated persons. An “economic unit” consists of all adult individuals contributing to and sharing in the income and expenses of a household. An adult is any person eighteen years or older. If an adult has no or minimal income, and lives with someone who provides financial support to him/her, both people shall be considered part of the same household. Children under the age of eighteen living with their parents or guardians are considered to be part of the same household as their parents or guardians.

(i) *National Lifeline Accountability Database or Database*. The “National Lifeline Accountability Database” or “Database” is an electronic system, with associated functions, processes, policies and procedures, to facilitate the detection and elimination of duplicative support, as directed by the Commission.

(j) *Qualifying assistance program*. A “qualifying assistance program” means any of the federal, state, or Tribal assistance programs participation in which, pursuant to § 54.409(a) or (b), qualifies a consumer for Lifeline service, including Medicaid; Supplemental Nutrition Assistance Program; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program's free lunch program; Temporary Assistance for Needy Families; Bureau of Indian Affairs general assistance; Tribally administered Temporary Assistance for Needy Families (Tribal TANF); Head Start (only those households meeting its income qualifying standard); or the Food Distribution Program on Indian Reservations (FDPIR), and with respect to the residents of any particular state, any other program so designated by that state pursuant to § 54.409(a).

#### **54.401 Lifeline defined.**

(a) As used in this subpart, Lifeline means a non-transferable retail service offering:

(1) For which qualifying low-income consumers pay reduced charges as a result of application of the Lifeline support amount described in § 54.403; and

(2) That provides qualifying low-income consumers with voice telephony service as specified in § 54.101(a). Toll limitation service does not need to be offered for any Lifeline service that does not distinguish between toll and non-toll calls in the pricing of the service. If an eligible telecommunications carrier charges Lifeline subscribers a fee for toll calls that is in addition to the per month or per billing cycle price of the subscribers' Lifeline service, the carrier must offer toll limitation service at no charge to its subscribers as part of its Lifeline service offering.

(b) Eligible telecommunications carriers may allow qualifying low-income consumers to apply Lifeline discounts to any residential service plan that includes voice telephony service, including bundled packages of voice and data services; and plans that include optional calling features such as, but not



limited to, caller identification, call waiting, voicemail, and three-way calling. Eligible telecommunications carriers may also permit qualifying low-income consumers to apply their Lifeline discount to family shared calling plans.

(c) Eligible telecommunications carriers may not collect a service deposit in order to initiate Lifeline service for plans that:

- (1) Do not charge subscribers additional fees for toll calls; or
- (2) That charge additional fees for toll calls, but the subscriber voluntarily elects toll limitation service.

(d) When an eligible telecommunications carrier is designated by a state commission, the state commission shall file or require the eligible telecommunications carrier to file information with the Administrator demonstrating that the carrier's Lifeline plan meets the criteria set forth in this subpart and describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, including details on the number of minutes provided as part of the plan, additional charges, if any, for toll calls, and rates for each such plan. To the extent the eligible telecommunications carrier offers plans to Lifeline subscribers that are generally available to the public, it may provide summary information regarding such plans, such as a link to a public website outlining the terms and conditions of such plans. Lifeline assistance shall be made available to qualifying low-income consumers as soon as the Administrator certifies that the carrier's Lifeline plan satisfies the criteria set out in this subpart.

(e) Consistent with § 52.33(a)(1)(i)(C), eligible telecommunications carriers may not charge Lifeline customers a monthly number-portability charge.

#### **54.403 Lifeline support amount.**

(a) The federal Lifeline support amount for all eligible telecommunications carriers shall equal:

(1) *Basic support amount.* Federal Lifeline support in the amount of \$9.25 per month will be made available to an eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer, if that carrier certifies to the Administrator that it will pass through the full amount of support to the qualifying low-income consumer and that it has received any non-federal regulatory approvals necessary to implement the rate reduction.

(2) *Tribal lands support amount.* Additional federal Lifeline support of up to \$25 per month will be made available to an eligible telecommunications carrier providing Lifeline service to an eligible resident of Tribal lands, as defined in § 54.400 (e), to the extent that the eligible telecommunications carrier certifies to the Administrator that it will pass through the full Tribal lands support amount to the qualifying eligible resident of Tribal lands and that it has received any non-federal regulatory approvals necessary to implement the required rate reduction.

(b) *Application of Lifeline discount amount.* (1) Eligible telecommunications carriers that charge federal End User Common Line charges or equivalent federal charges must apply federal Lifeline support to waive the federal End User Common Line charges for Lifeline subscribers. Such carriers must apply any additional federal support amount to a qualifying low-income consumer's intrastate rate, if the carrier has received the non-federal regulatory approvals necessary to implement the required rate reduction. Other eligible telecommunications carriers must apply the federal Lifeline support amount, plus any additional support amount, to reduce the cost of any generally available residential service plan or package offered by such carriers that provides voice telephony service as described in § 54.101, and charge Lifeline subscribers the resulting amount.

(2) Where a subscriber makes only a partial payment to an eligible telecommunications carrier for a bundled service package, the eligible telecommunications carrier must apply the partial payment first to the allocated price of the voice telephony service component of the package and then to the cost of any additional services included in the bundled package.

(c) *Toll limitation service.* An eligible telecommunications carrier providing toll limitation service voluntarily elected by Lifeline subscribers whose Lifeline plans would otherwise include a fee for placing a toll call that would be in addition to the per month or per billing cycle price of the subscriber's Lifeline service, shall, for April 2012 Lifeline disbursements through December 2013 Lifeline disbursements, receive support in an amount equal to the lesser of:

(1) The eligible telecommunications carrier's incremental cost of providing either toll blocking services or toll control services to each Lifeline subscriber who has selected such service; or

(2) The following amounts for each Lifeline subscriber who has selected toll blocking services or toll control services:

(i) \$3.00 per month per subscriber during 2012; and

(ii) \$2.00 per month per subscriber during 2013.

#### **54.405 Carrier obligation to offer Lifeline.**

All eligible telecommunications carriers must:

(a) Make available Lifeline service, as defined in § 54.401, to qualifying low-income consumers.

(b) Publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service.

(c) Indicate on all materials describing the service, using easily understood language that it is a Lifeline service, that Lifeline is a government assistance program, the service is non-transferable, only eligible consumers may enroll in the program, and the program is limited to one discount per household. For the purposes of this section, the term “materials describing the service” includes all print, audio, video, and web materials used to describe or enroll in the Lifeline service offering, including application and certification forms.

(d) Disclose the name of the eligible telecommunications carrier on all materials describing the service.

(e) *De-enrollment* (1) *De-enrollment generally.* If an eligible telecommunications carrier has a reasonable basis to believe that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under § 54.409, the carrier must notify the subscriber of impending termination of his or her Lifeline service. Notification of impending termination must be sent in writing separate from the subscriber's monthly bill, if one is provided, and must be written in clear, easily understood language. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termination, that requires, at a minimum, written notification of impending termination, must comply with the applicable state requirements. The carrier must allow a subscriber 30-days following the date of the impending termination letter required to demonstrate continued eligibility. A subscriber making such a demonstration must present proof of continued eligibility to the carrier

consistent with applicable annual re-certification requirements, as described in § 54.410(f). An eligible telecommunications carrier must terminate any subscriber who fails to demonstrate continued eligibility within the 30-day time period. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termination must comply with the applicable state requirements.

(2) *De-enrollment for duplicative support.* Notwithstanding paragraph (e)(1) of this section, upon notification by the Administrator to any eligible telecommunications carrier that a subscriber is receiving Lifeline service from another eligible telecommunications carrier or that more than one member of a subscriber's household is receiving Lifeline service and therefore that the subscriber should be de-enrolled from participation in that carrier's Lifeline program, the eligible telecommunications carrier must de-enroll the subscriber from participation in that carrier's Lifeline program within five business days. An eligible telecommunications carrier shall not be eligible for Lifeline reimbursement for any de-enrolled subscriber following the date of that subscriber's de-enrollment.

(3) *De-enrollment for non-usage.* 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 or 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. If the subscriber uses the Lifeline service within 30 days of the carrier providing such notice, the eligible telecommunications carrier shall not terminate the subscriber's Lifeline service. 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 reported by month and must be submitted to the Commission at the time an eligible telecommunications carrier submits its annual certification report pursuant to § 54.416.

(4) *De-enrollment for failure to re-certify.* Notwithstanding paragraph (e)(1) of this section, an eligible telecommunications carrier must de-enroll a Lifeline subscriber who does not respond to the carrier's attempts to obtain re-certification of the subscriber's continued eligibility as required by § 54.410(f); who fails to provide the annual one-per-household re-certifications as required by § 54.410(f); or who relies on a temporary address and fails to respond to the carrier's address re-certification attempts pursuant to § 54.410(g). Prior to de-enrolling a subscriber under this paragraph, the eligible telecommunications carrier must notify the subscriber in writing separate from the subscriber's monthly bill, if one is provided using clear, easily understood language, that failure to respond to the re-certification request within 30 days of the date of the request will trigger de-enrollment. If a subscriber does not respond to the carrier's notice of impending de-enrollment, the carrier must de-enroll the subscriber from Lifeline within five business days after the expiration of the subscriber's time to respond to the re-certification efforts.

#### **54.407 Reimbursement for offering Lifeline.**

(a) 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.

(b) An eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer served. For each qualifying low-income consumer receiving Lifeline service, the reimbursement amount shall equal the federal support amount, including the support amounts described in § 54.403(a) and (c). The eligible telecommunications carrier's universal service support reimbursement shall not exceed the carrier's rate for that offering, or similar offerings, subscribed to by consumers who do not qualify for Lifeline.

(c) An eligible telecommunications carrier offering a Lifeline service that does not require the eligible telecommunications carrier to assess or collect a monthly fee from its subscribers:

(1) Shall not receive universal service support for a subscriber to such Lifeline service until the subscriber activates the service by whatever means specified by the carrier, such as completing an outbound call; and

(2) After service activation, an eligible telecommunications carrier shall only continue to receive universal service support reimbursement for such Lifeline service provided to subscribers who have used the service within the last 60 days, or who have cured their non-usage as provided for in § 54.405(e)(3). Any of these activities, if undertaken by the subscriber will establish “usage” of the Lifeline service:

(i) Completion of an outbound call;

(ii) Purchase of minutes from the eligible telecommunications carrier to add to the subscriber's service plan;

(iii) Answering an incoming call from a party other than the eligible telecommunications carrier or the eligible telecommunications carrier's agent or representative; or

(iv) Responding to direct contact from the eligible communications carrier and confirming that he or she wants to continue receiving the Lifeline service.

(d) In order to receive universal service support reimbursement, an eligible telecommunications carrier must certify, as part of each request for reimbursement, that it is in compliance with all of the rules in this subpart, and, to the extent required under this subpart, has obtained valid certification and re-certification forms for each of the subscribers for whom it is seeking reimbursement.

(e) 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.

#### **54.409 Consumer qualification for Lifeline.**

(a) To constitute a qualifying low-income consumer:

(1) A consumer's household income as defined in § 54.400(f) must be at or below 135% of the Federal Poverty Guidelines for a household of that size; or

(2) The consumer, one or more of the consumer's dependents, or the consumer's household must receive benefits from one of the following federal assistance programs: Medicaid; Supplemental Nutrition Assistance Program; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program's free lunch program; or Temporary Assistance for Needy Families; or

(3) The consumer meets additional eligibility criteria established by a state for its residents, provided that such-state specific criteria are based solely on income or other factors directly related to income.

(b) A consumer who lives on Tribal lands is eligible for Lifeline service as a “qualifying low-income consumer” as defined by § 54.400(a) and as an “eligible resident of Tribal lands” as defined by § 54.400(e) if that consumer meets the qualifications for Lifeline specified in paragraph (a) of this section or if the consumer, one or more of the consumer's dependents, or the consumer's household participates in one of the following Tribal-specific federal assistance programs: Bureau of Indian Affairs general assistance; Tribally administered Temporary Assistance for Needy Families; Head Start (only those households meeting its income qualifying standard); or the Food Distribution Program on Indian Reservations.

(c) In addition to meeting the qualifications provided in paragraph (a) or (b) of this section, in order to constitute a qualifying low-income consumer, a consumer must not already be receiving a Lifeline service, and there must not be anyone else in the subscriber's household subscribed to a Lifeline service.

#### **54.410 Subscriber eligibility determination and certification.**

(a) All eligible telecommunications carriers must implement policies and procedures for ensuring that their Lifeline subscribers are eligible to receive Lifeline services. An eligible telecommunications carrier may not provide a consumer with an activated device that it represents enables use of Lifeline-supported service, nor may it activate service that it represents to be Lifeline service, unless and until it has: (1) confirmed that the consumer is a qualifying low-income consumer pursuant to § 54.409, and (2) completed the eligibility determination and certification required by this section and §§ 54.404-54.405, and completed any other necessary enrollment steps.

(b) *Initial income-based eligibility determination.* (1) Except where a state Lifeline administrator or other state agency is responsible for the initial determination of a subscriber's eligibility, when a prospective subscriber seeks to qualify for Lifeline or using the income-based eligibility criteria provided for in § 54.409(a)(1) or (a)(3) an eligible telecommunications carrier:

(i) 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) of this section and has confirmed the subscriber's income-based eligibility using the following procedures:

(A) If an eligible telecommunications carrier can determine a prospective subscriber's income-based eligibility by accessing one or more databases containing information regarding the subscriber's income (“income databases”), the eligible telecommunications carrier must access such income databases and determine whether the prospective subscriber qualifies for Lifeline.

(B) If an eligible telecommunications carrier cannot determine a prospective subscriber's income-based eligibility by accessing income databases, the eligible telecommunications carrier must review documentation that establishes that the prospective subscriber meets the income-eligibility criteria set forth in § 54.409(a)(1) or (a)(3). Acceptable documentation of income eligibility includes the prior year's state, federal, or Tribal tax return; current income statement from an employer or paycheck stub; a Social Security statement of benefits; a Veterans Administration statement of benefits; a retirement/pension statement of benefits; an Unemployment/Workers' Compensation statement of benefit; federal or Tribal notice letter of participation in General Assistance; or a divorce decree, child support award, or other official document containing income information. If the prospective subscriber presents documentation of income that does not cover a full year, such as current pay stubs, the prospective subscriber must present the same type of documentation covering three consecutive months within the previous twelve months.

(ii) Must not retain copies of the documentation of a prospective subscriber's income-based eligibility for Lifeline.

(iii) Must, consistent with § 54.417, keep and maintain accurate records detailing the data source a carrier used to determine a subscriber's eligibility or the documentation a subscriber provided to demonstrate his or her eligibility for Lifeline.

(2) Where a state Lifeline administrator or other state agency is responsible for the initial determination of a subscriber's eligibility, an eligible telecommunications carrier must not seek reimbursement for providing Lifeline service to a subscriber, based on that subscriber's income eligibility, unless the carrier has received from the state Lifeline administrator or other state agency:

(i) Notice that the prospective subscriber meets the income-eligibility criteria set forth in § 54.409(a)(1) or (a)(3); and

(ii) A copy of the subscriber's certification that complies with the requirements set forth in paragraph (d) of this section.

(c) *Initial program-based eligibility determination.* (1) Except in states where a state Lifeline administrator or other state agency is responsible for the initial determination of a subscriber's program-based eligibility, when a prospective subscriber seeks to qualify for Lifeline service using the program-based criteria set forth in § 54.409(a)(2), (a)(3) or (b), an eligible telecommunications carrier:

(i) Must not seek reimbursement for providing Lifeline to a subscriber unless the carrier has received a certification of eligibility from the subscriber that complies with the requirements set forth in paragraph (d) of this section and has confirmed the subscriber's program-based eligibility using the following procedures:

(A) If the eligible telecommunications carrier can determine a prospective subscriber's program-based eligibility for Lifeline by accessing one or more databases containing information regarding enrollment in qualifying assistance programs ("eligibility databases"), the eligible telecommunications carrier must access such eligibility databases to determine whether the prospective subscriber qualifies for Lifeline based on participation in a qualifying assistance program; or

(B) If an eligible telecommunications carrier cannot determine a prospective subscriber's program-based eligibility for Lifeline by accessing eligibility databases, the eligible telecommunications carrier must review documentation demonstrating that a prospective subscriber qualifies for Lifeline under the program-based eligibility requirements. Acceptable documentation of program eligibility includes the current or prior year's statement of benefits from a qualifying assistance program, a notice or letter of participation in a qualifying assistance program, program participation documents, or another official document demonstrating that the prospective subscriber, one or more of the prospective subscriber's dependents or the prospective subscriber's household receives benefits from a qualifying assistance program.

(ii) Must not retain copies of the documentation of a subscriber's program-based eligibility for Lifeline services.

(iii) Must, consistent with § 54.417, keep and maintain accurate records detailing the data source a carrier used to determine a subscriber's program-based eligibility or the documentation a subscriber provided to demonstrate his or her eligibility for Lifeline.

(2) Where a state Lifeline administrator or other state agency is responsible for the initial determination of a subscriber's eligibility, when a prospective subscriber seeks to qualify for Lifeline service using the program-based eligibility criteria provided in § 54.409, an eligible telecommunications carrier must not seek reimbursement for providing Lifeline to a subscriber unless the carrier has received from the state Lifeline administrator or other state agency:

(i) Notice that the subscriber meets the program-based eligibility criteria set forth in §§ 54.409(a)(2), (a)(3) or (b); and

(ii) a copy of the subscriber's certification that complies with the requirements set forth in paragraph (d) of this section.

(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:

(1) Provide the following information:

(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 at the same address and share income and expenses;

(iv) A household is not permitted to receive Lifeline benefits from multiple providers;

(v) Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the subscriber's de-enrollment from the program; and

(vi) Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person.

(2) Require each prospective subscriber to provide the following information:

(i) The subscriber's full name;

(ii) The subscriber's full residential address;

(iii) Whether the subscriber's residential address is permanent or temporary;

(iv) The subscriber's billing address, if different from the subscriber's residential address;

(v) The subscriber's date of birth;

(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;



(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; and

(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.

(3) Require each prospective subscriber to certify, under penalty of perjury, that:

(i) The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409;

(ii) The subscriber will notify the carrier within 30 days if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program-based criteria for receiving Lifeline support, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit.

(iii) If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e);

(iv) If the subscriber moves to a new address, he or she will provide that new address to the eligible telecommunications carrier within 30 days;

(v) If the subscriber provided a temporary residential address to the eligible telecommunications carrier, he or she will be required to verify his or her temporary residential address every 90 days;

(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;

(vii) The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge,

(viii) The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and

(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).

(e) State Lifeline administrators or other state agencies that are responsible for the initial determination of a subscriber's eligibility for Lifeline must provide each eligible telecommunications carrier with a copy of each of the certification forms collected by the state Lifeline administrator or other state agency from that carrier's subscribers.

(f) *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.



(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:

(i) Querying the appropriate eligibility databases, confirming that the subscriber still meets the program-based eligibility requirements for Lifeline, and documenting the results of that review; or

(ii) Querying the appropriate income databases, confirming that the subscriber continues to meet the income-based eligibility requirements for Lifeline, and documenting the results of that review; or

(iii) Obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section.

(3) Where a state Lifeline administrator or other state agency is responsible for re-certification of a subscriber's Lifeline eligibility, the state Lifeline administrator or other state agency must confirm a subscriber's current eligibility to receive a Lifeline service by:

(i) Querying the appropriate eligibility databases, confirming that the subscriber still meets the program-based eligibility requirements for Lifeline, and documenting the results of that review; or

(ii) Querying the appropriate income databases, confirming that the subscriber continues to meet the income-based eligibility requirements for Lifeline, and documenting the results of that review; or

(iii) Obtaining a signed certification from the subscriber that meets the certification requirements in paragraph (d) of this section.

(4) Where a state Lifeline administrator or other state agency is responsible for re-certification of subscribers' Lifeline eligibility, the state Lifeline administrator or other state agency must provide to each eligible telecommunications carrier the results of its annual re-certification efforts with respect to that eligible telecommunications carrier's subscribers.

(5) If an eligible telecommunications carrier is unable to re-certify a subscriber or has been notified of a state Lifeline administrator's or other state agency's inability to re-certify a subscriber, the eligible telecommunications carrier must comply with the de-enrollment requirements provided for in § 54.405(e)(4).

(g) *Re-certification of temporary address.* An eligible telecommunications carrier must re-certify, every 90 days, the residential address of each of its subscribers who have provided a temporary address as part of the subscriber's initial certification or re-certification of eligibility, pursuant to paragraphs (d), (e), or (f) of this section.

#### **54.416 Annual certifications by eligible telecommunications carriers.**

(a) *Eligible telecommunications carrier certifications.* Eligible telecommunications carriers are required to make and submit to the Administrator the following annual certifications, under penalty of perjury, relating to the Lifeline program:

(1) An officer of each eligible telecommunications carrier must certify that the carrier has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services. Each eligible telecommunications carrier must make this certification annually to the Administrator as part of the carrier's submission of annual re-certification data pursuant to this section. In instances where

an eligible telecommunications carrier confirms consumer eligibility by relying on income or eligibility databases, as defined in § 54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources the eligible telecommunications carrier used to confirm eligibility.

(2) An officer of the eligible telecommunications carrier must certify that the carrier is in compliance with all federal Lifeline certification procedures. Eligible telecommunications carriers must make this certification annually to the Administrator as part of the carrier's submission of re-certification data pursuant to this section.

(b) All eligible telecommunications carriers must annually provide the results of their re-certification efforts, performed pursuant to § 54.410(f), to the Commission and the Administrator. Eligible telecommunications carriers designated as such by one or more states pursuant to § 54.201 must also provide, on an annual basis, the results of their re-certification efforts to state commissions for subscribers residing in those states where the state designated the eligible telecommunications carrier. Eligible telecommunications carriers must also provide their annual re-certification results for subscribers residing on Tribal lands to the relevant Tribal governments.

(c) States that mandate Lifeline support may impose additional standards on eligible telecommunications carriers operating in their states to ensure compliance with state Lifeline programs.

#### **54.417 Recordkeeping requirements.**

(a) Eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. Notwithstanding the preceding sentence, eligible telecommunications carriers must maintain the documentation required in § 54.410(d) and (f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier.

(b) If an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline and Tribal Link Up program.

(c) Non-eligible-telecommunications-carrier resellers that purchase Lifeline discounted wholesale services to offer discounted services to low-income consumers must maintain records to document compliance with all Commission requirements governing the Lifeline and Tribal Link Up program for the three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. To the extent such a reseller provides discounted services to low-income consumers, it must fulfill the obligations of an eligible telecommunications carrier in §§ 54.405 and 54.410.

#### **54.422 Annual reporting for eligible telecommunications carriers that receive low-income support.**

(a) In order to receive support under this subpart, an eligible telecommunications carrier must annually report:

(1) The company name, names of the company's holding company, operating companies and affiliates, and any branding (a "dba," or "doing-business-as company" or brand designation) as well as relevant universal service identifiers for each such entity by Study Area Code. For purposes of this paragraph, "affiliates" has the meaning set forth in section 3(2) of the Communications Act of 1934, as amended; and

(2) Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, including details on the number of minutes provided as part of the plan, additional charges, if any, for toll calls, and rates for each such plan. To the extent the eligible telecommunications carrier offers plans to Lifeline subscribers that are generally available to the public, it may provide summary information regarding such plans, such as a link to a public Web site outlining the terms and conditions of such plans.

(b) In order to receive support under this subpart, a common carrier that is designated as an eligible telecommunications carrier under section 214(e)(6) of the Act and does not receive support under subpart D of this part must annually provide:

(1) Detailed information on any outage in the prior calendar year, as that term is defined in 47 CFR 4.5, of at least 30 minutes in duration for each service area in which the eligible telecommunications carrier is designated for any facilities it owns, operates, leases, or otherwise utilizes that potentially affect

(i) At least ten percent of the end users served in a designated service area; or

(ii) A 911 special facility, as defined in 47 CFR 4.5(e).

(iii) Specifically, the eligible telecommunications carrier's annual report must include information detailing:

(A) The date and time of onset of the outage;

(B) A brief description of the outage and its resolution;

(C) The particular services affected;

(D) The geographic areas affected by the outage;

(E) Steps taken to prevent a similar situation in the future; and

(F) The number of customers affected.

(2) The number of complaints per 1,000 connections (fixed or mobile) in the prior calendar year;

(3) Certification of compliance with applicable service quality standards and consumer protection rules;

(4) Certification that the carrier is able to function in emergency situations as set forth in § 54.202(a)(2).

(c) All reports required by this section must be filed with the Office of the Secretary of the Commission, and with the Administrator. Such reports must also be filed with the relevant state commissions and the relevant authority in a U.S. territory or Tribal governments, as appropriate.