

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Request for Review of Decisions by the Universal	)	
Service Administrator by	)	
	)	
UTPhone, Inc.	)	
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	
Lifeline and Link-Up Reform and Modernization	)	WC Docket No. 11-42

**ORDER**

**Adopted: August 28, 2025**

**Released: August 28, 2025**

By the Chief, Wireline Competition Bureau:

**I. INTRODUCTION**

1. In this Order, the Wireline Competition Bureau (Bureau) addresses UTPhone Inc.'s (UTPhone's) appeal<sup>1</sup> of three audit decisions made by the Universal Service Administrative Company (USAC) concerning UTPhone's compliance with the Lifeline program's rules. We grant UTPhone's appeal regarding two of the three matters addressed in the audit decisions. However, we deny UTPhone's appeal involving the third matter because UTPhone violated Lifeline's requirement to pass through the Lifeline benefit when it claimed inactive subscribers.

**II. BACKGROUND**

2. The Lifeline program provides support for communications services provided by eligible telecommunications carriers (ETCs) to qualifying low-income consumers.<sup>2</sup> An ETC may only receive support for the number of qualifying low-income consumers it serves,<sup>3</sup> and an ETC must certify that it will pass through the full amount of Lifeline support it receives to the subscriber.<sup>4</sup> In the *2012 Lifeline Order*, the Federal Communications Commission (FCC or Commission) adopted uniform re-certification procedures and required ETCs to re-certify the eligibility of ETCs' base of subscribers as of June 1, 2012 by December 31, 2012, and to report their results by January 31, 2013.<sup>5</sup>

<sup>1</sup> See Request for Review of USAC Audit Report by UTPhone, Inc., WC Docket No. 11-42 (filed June 27, 2014) (UTPhone Request for Review).

<sup>2</sup> See 47 U.S.C. § 254(b)(1), (3); 47 CFR § 54.401.

<sup>3</sup> 47 CFR § 54.407(a) (2007).

<sup>4</sup> 47 CFR § 54.403(a) (2012).

<sup>5</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, 6714–15, paras. 129–30 & n.337 (2012) (*2012 Lifeline Order*).

3. On February 10, 2014, USAC's Internal Audit Division issued an audit report regarding UTPhone's compliance with the Lifeline program rules for the audit period focused on January 2013.<sup>6</sup> UTPhone exclusively provided service to low-income consumers, including those who participated in the federal Lifeline program and the Oklahoma Lifeline Service Plan.<sup>7</sup> Among other findings, USAC determined that: (1) UTPhone violated federal Lifeline rules when it purportedly failed to comply with a state rule applicable to the Oklahoma Lifeline Service Program that required Eligible Telecommunications Carriers to review subscribers' eligibility documentation on an annual basis<sup>8</sup>; (2) UTPhone violated the section 54.403(a)(1) pass-through rules when it claimed subscribers for multiple months who de-enrolled prior to the end of a billing period that spanned multiple calendar months without receiving a full month of service<sup>9</sup>; and (3) UTPhone violated the Commission's rules regarding annual re-certification when it did not de-enroll subscribers who failed re-certification within five-days of the deadline for completing re-certification.<sup>10</sup> On June 27, 2014, UTPhone filed its Request for Review of the recoveries and post-audit actions discussed above.<sup>11</sup>

### III. DISCUSSION

4. Based on review of the record, we grant-in-part and deny-in-part UTPhone's Request for Review. We discuss our assessment of each decision below.

5. *Annual Re-certification.* In its audit, USAC found that UTPhone failed to comply with the Commission's rules for the Lifeline program when it purportedly did not comply with an Oklahoma Corporation Commission rule requiring Oklahoma ETCs to review subscribers' documentation demonstrating proof of program eligibility.<sup>12</sup> We grant UTPhone's request to reverse USAC's post-audit action because while states may require additional proof of eligibility standards for their own state Lifeline programs, and providers should adhere to those requirements, such state eligibility standards are not relevant to a compliance review of federal Lifeline program support.

6. In the *2012 Lifeline Order*, the Commission adopted a federal uniform standard for the re-certification of Lifeline subscribers.<sup>13</sup> However, it recognized that "states may wish to impose additional requirements where they have their own Lifeline programs" and left room for states "to supplement the federal re-certification methodology with their own procedures specifically tailored to state-specific program requirements."<sup>14</sup> The Commission adopted this flexibility for states in section 54.416(c) of its rules, specifying that a state "*may* impose additional [re-certification] standards on eligible telecommunications carriers operating in their states to ensure compliance with *state* Lifeline programs."<sup>15</sup> Consistent with section 54.416(c), Oklahoma had a state rule that required each ETC that

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<sup>6</sup> See generally USAC, Independent Auditor's Report on UTPhone's Compliance with Low Income Support Mechanism Rules (USAC Audit No. LI2013BE021) (Feb. 10, 2014) (UTPhone Audit).

<sup>7</sup> UTPhone Request for Review at 1. UTPhone ceased operations in 2016. See Oklahoma Tax Commission, 2023 Public Service Companies at 9 (2023), <https://oklahoma.gov/content/dam/ok/en/tax/documents/resources/publications/ad-valorem/Public-Service-Directory.pdf>.

<sup>8</sup> UTPhone Audit at 5–10.

<sup>9</sup> *Id.* at 11–15.

<sup>10</sup> *Id.* at 24–29.

<sup>11</sup> UTPhone Request for Review.

<sup>12</sup> UTPhone Audit at 5–10.

<sup>13</sup> *2012 Lifeline Order*, 27 FCC Rcd at 6719, para. 140; see also 47 CFR §§ 54.416(c), 54.410(f).

<sup>14</sup> *2012 Lifeline Order*, 27 FCC Rcd at 6719, para. 140.

<sup>15</sup> 47 CFR § 54.416(c) (emphasis added).

provided service to Oklahoma Lifeline Service Program customers to annually “review documentation for each Lifeline Service Program participant, for the purpose of determining their continued eligibility for Lifeline Service Program credits.”<sup>16</sup>

7. In the Audit Report, USAC interpreted section 54.416(c) as “[requiring] ETCs operating in States mandating Lifeline support to adhere to the standards established by the state.”<sup>17</sup> USAC accordingly found that UTPhone violated section 54.416(c) when UTPhone purportedly failed to review subscribers’ documentation demonstrating eligibility of participation in the Oklahoma Lifeline Service Program on an annual basis.<sup>18</sup>

8. USAC’s decision should be reversed because section 54.416(c) does not impose state proof of eligibility standards on the federal Lifeline program. Section 54.416(c) by its plain text, instead *permits* a state to supplement the Commission’s uniform federal rules governing the re-certification of Lifeline subscribers with rules governing its *state* Lifeline program.<sup>19</sup> There is nothing in either the text of section 54.416(c), or the Commission’s guidance expressed in the *2012 Lifeline Order*, that speaks of the Commission enforcing state rules regarding re-certification in state Lifeline programs against ETCs. We find that UTPhone is not required to comply with Oklahoma’s state Lifeline proof of eligibility requirements to be in compliance with federal Lifeline program rules, and as such we do not address whether UTPhone complied with Oklahoma’s state Lifeline Service Program requirements.

9. *De-enrollment Deadline.* In its audit, USAC found that UTPhone failed to meet the deadline to complete its re-certification process because UTPhone had not de-enrolled subscribers that failed re-certification by December 31, 2012.<sup>20</sup> We grant UTPhone’s request to reverse USAC’s recovery because this determination conflated the deadline to complete *re-certifications* with the potentially later deadline to *de-enroll* subscribers who failed re-certifications, and UTPhone completed de-enrollments by that de-enrollment deadline.<sup>21</sup>

10. The deadline to complete re-certifications for the time period at issue was December 31, 2012.<sup>22</sup> ETCs were required to de-enroll a subscriber who failed re-certification, however, the de-enrollment deadline was to be within “five business days after the expiration of the subscriber’s time to respond to the re-certification efforts.”<sup>23</sup> UTPhone did not miss the December 31, 2012 re-certification

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<sup>16</sup> Chapter 59, Oklahoma Universal Service, Permanent rules, § 165:59-9-5 (Oklahoma Corporation Commission 2012).

<sup>17</sup> UTPhone Audit at 9 (citing 47 CFR § 54.416(c)).

<sup>18</sup> There is no evidence in the UTPhone Audit or in the UTPhone Request for Review that the Oklahoma Corporation Commission took any monetary action against UTPhone for failure to review subscribers’ proof of eligibility documentation. In the Audit Report, USAC also recommended against a recovery because UTPhone had confirmed “its subscribers’ continued eligibility through a review of subscriber re-certification forms.” See UTPhone Audit at 5; 47 CFR § 54.410(f). USAC did, however, require submission of a summary of policies and procedures to address compliance with state rules. UTPhone Audit at 9.

<sup>19</sup> See 47 CFR § 54.416(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.”) (emphasis added).

<sup>20</sup> See UTPhone Audit at 24–25.

<sup>21</sup> *Id.* at 25 (noting UTPhone de-enrolled subscribers on January 3, 2013); UTPhone Request for Review at 18.

<sup>22</sup> See *2012 Lifeline Order*, 27 FCC Rcd at 6715, para. 130, n.337; *Wireline Competition Bureau Reminds Carriers That They Must Re-Certify Eligibility of All Lifeline Subscribers by December 31, 2012*, Public Notice, 27 FCC Rcd 12327 (2012) (*Lifeline Re-Certification Public Notice*).

<sup>23</sup> 47 CFR § 54.405(e)(4).

deadline on account of not completing de-enrollments by that deadline.<sup>24</sup> ETCs had five business days after re-certification was complete to de-enroll subscribers, and therefore were permitted to de-enroll subscribers after December 31, 2012 in certain limited circumstances. For example, for a failed re-certification completed on December 31, 2012, the deadline to de-enroll was January 8, 2013, which is five business days after December 31, 2012 (after accounting for holidays and weekends). Further, the *2012 Lifeline Order* also makes numerous references to re-certification being complete by the end of 2012 without making any reference to de-enrollment or that de-enrollment for failure to complete re-certification is part of the re-certification process.<sup>25</sup> Pursuant to section 54.405(e)(4), UTPhone completed de-enrollment of subscribers that failed re-certification by the de-enrollment deadline specified in section 54.405(e)(4) of the Commission's rules.<sup>26</sup>

11. The violation is based on a single reference in the October 2012 *Lifeline Re-Certification Public Notice* that “[t]he re-certification process is not considered ‘complete’ until the ETC has de-enrolled all subscribers that failed to respond to a re-certification request or are no longer eligible.”<sup>27</sup> This statement does not support a de-enrollment deadline of December 31, 2012, for two reasons. First, context shows that this reference to completing re-certification is meant to highlight the obligation of an ETC to report the results of the re-certification process to the Commission and USAC by January 31, 2013, not establish a de-enrollment deadline.<sup>28</sup> Second, the *Lifeline Re-Certification Public Notice* in the same section, notes that in the states where state agencies perform re-certification, ETCs need to be given enough notice by states so that they can “initiate all de-enrollments by December 31, 2012,” which is consistent with a five-business day de-enrollment period.<sup>29</sup> This approach is also consistent with our current rules, in which subscribers that fail to pass the database check for recertification have 60 days to certify their eligibility, and if they fail to certify within this 60-day window, they are automatically de-enrolled from NLAD within five business days.<sup>30</sup>

12. *Pass-Through Reimbursement.* In its audit, USAC found that UTPhone violated section 54.403(a) when it claimed subscribers for two months of service who received less than 30 days of service, and did not pass through the full benefit.<sup>31</sup> Section 54.403(a) requires that an ETC “pass through the full amount of support to the qualifying low-income consumer.”<sup>32</sup> We agree with USAC's recovery on the basis that UTPhone violated the pass-through provision when it claimed support for two calendar months even though UTPhone provided service during one billing cycle and the subscribers disconnected service before the second billing service began, resulting in no pass through of the benefit for the second month.

13. This issue surfaced with ETC billing cycles that did not align with the Lifeline program support cycle based on calendar months. For example, as illustrated in the audit report, if a subscriber on a billing cycle running from December 21, 2012 to January 20, 2013 de-enrolled on January 2, 2013, such that they received only twelve days of service from UTPhone, UTPhone should have properly received reimbursement for that subscriber for the December 2012 Form 497 and passed that support on to the

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<sup>24</sup> UTPhone Audit at 24–29.

<sup>25</sup> See *Lifeline Re-Certification Public Notice*, 27 FCC Rcd at 12327–28.

<sup>26</sup> UTPhone Audit at 25; UTPhone Request for Review at 18.

<sup>27</sup> UTPhone Audit at 27 (quoting *Lifeline Re-Certification Public Notice*, 27 FCC Rcd at 12328).

<sup>28</sup> See *Lifeline Re-Certification Public Notice*, 27 FCC Rcd at 12328.

<sup>29</sup> *Id.* (emphasis added).

<sup>30</sup> USAC, *Recertification*, <https://www.usac.org/lifeline/national-verifier/recertification/> (last visited Aug. 28, 2025); see also 47 CFR 54.405(e)(4).

<sup>31</sup> UTPhone Audit at 11–15.

<sup>32</sup> 47 CFR § 54.403(a).

customer, without being required to submit a pro rata claim for December 2012.<sup>33</sup> UTPhone, however, claimed the subscriber on the subsequent January 2013 Form 497 for an additional month of support, without passing through that support.<sup>34</sup>

14. UTPhone asserts that it was proper for UTPhone to claim reimbursement for both months because “ETCs are not required or even permitted to make pro rata claims for Lifeline support.”<sup>35</sup> UTPhone argues that they did not violate the pass-through rules because “claims in Lifeline may be based on accounts in which the subscriber was active at any point in the month” and the subscriber “was claimed in both December and January because he or she was active in both months.”<sup>36</sup> UTPhone argues that after the *2012 Lifeline Order*, the relevant period for Lifeline claims is a calendar month and not a subset of a month based on a subscriber’s billing cycle, and further that there is no “billing cycle rule” date by which accounts must be active until to qualify for support.<sup>37</sup>

15. Here, UTPhone has misapplied the use of calendar months for reimbursement, and it incorrectly asserts that “[t]here is no double-counting or double-recovery by UTPhone.”<sup>38</sup> While the Bureau has previously found that pro-rata monthly reporting for reimbursements was not required and that ETCs could seek a full month’s support even if the subscriber was served for less than a month,<sup>39</sup> the Bureau further cautioned that the rules do not “permit an ETC to be reimbursed twice for serving a customer during a particular time period.”<sup>40</sup>

16. In the example from above, reimbursing UTPhone for both the December 2012 and January 2013 calendar months would pay it twice for services provided during the December 21, 2012 to January 20, 2013 billing cycle, despite the fact that it only provided service for 12 days during that cycle. The violation occurred when UTPhone received additional support for January 2013 for the two days in January for which it already received support in December 2012 as part of the December 21, 2012 to January 2, 2013 billing cycle, and there was no subsequent billing cycle to pass through the January 2013 support to the subscriber. Under UTPhone’s theory, for a subscriber that started service on December 31, but then cancels the next day on January 1, UTPhone could receive Lifeline support for both December and January, even though the customer would only have been billed for 2 days and UTPhone would have only been able to pass through one month of support, just because the subscriber was active in both calendar months.

17. UTPhone raised the hypothetical of a “second account with the same billing cycle” that disconnected on January 21 and asserted that “in USAC’s view, it would be permissible to claim this account because it was disconnected after the end of the billing cycle,” even though it would have left a “ten-day period during which this second account was inactive.”<sup>41</sup> The distinction here, which UTPhone

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<sup>33</sup> UTPhone Audit at 11.

<sup>34</sup> UTPhone Audit at 11.

<sup>35</sup> UTPhone Request for Review at 13.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 14–16; *see 2012 Lifeline Order*, 27 FCC Rcd at 6785–86, paras. 300–01.

<sup>38</sup> UTPhone Request for Review at 15.

<sup>39</sup> *Lifeline and Link Up Reform and Modernization et al.*, WC Docket No. 11-42 *et al.*, Order, 30 FCC Rcd 9833, 9836, para. 6 (2015). In granting requests for review from USAC decisions that found ETCs out of compliance for failing to seek pro-rata reimbursements, the Bureau noted that the ETCs had argued that “there is no harm to the program because they used an end of the month ‘snapshot-date’ to calculate support and thus did not claim support for subscribers who terminated service before the end of the month but did claim support for subscribers who started service during the month.” *Id.* at 9835, para. 4.

<sup>40</sup> *Id.* at 9836, n.28.

<sup>41</sup> UTPhone Request for Review at 14.

does not recognize, is that UTPhone *would* have been able to pass through the January 2013 support to the subscriber in this hypothetical, since there would have been a new billing cycle, the low-income household would have been able to receive the Lifeline benefit, and therefore there would not be a violation of the pass-through rules.

18. Regardless of the relevant billing cycle for reimbursement submissions, UTPhone violated the rules when it claimed subscribers for two calendar months while only passing through the benefit of a single month's billing cycle. As explained above, section 54.403 is clear that the entire benefit must be passed through to claimed subscribers and failure to do so is a violation of Commission rules. The fact that the Commission later adopted a calendar month claims cycle also does not provide any evidence in favor of reversing USAC's recovery on the basis that UTPhone violated the Commission's pass-through rules.<sup>42</sup>

#### IV. ORDERING CLAUSES

19. ACCORDINGLY, IT IS ORDERED, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154 and 254, and sections 0.91, 0.291, 54.405, 54.416, and 54.722(a) of the Commission's rules, 47 CFR §§ 0.91, 0.291, 54.405, 54.416, and 54.722(a), that the Request for Review filed by the Petitioner IS GRANTED-IN-PART and DENIED-IN-PART as discussed herein.

20. IT IS FURTHER ORDERED, that pursuant to section 1.102(b)(1) of the Commission's rules, 47 CFR § 1.102(b)(1), this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Joseph S. Calascione  
Chief  
Wireline Competition Bureau

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<sup>42</sup> In the *2015 Lifeline Order* the Commission established a uniform "snapshot date" wherein providers would submit claims of the subscribers they had provided a month of service to on the first of the subsequent month. *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket No. 11-42 *et al.*, Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order, 30 FCC Rcd 7818, 7898-99, paras. 241-43 (2015). Prior to the creation of a uniform snapshot date, and during the time period at question in UTPhone's appeal, to avoid the problem of providers failing to pass-through the full benefit to subscribers, USAC encouraged providers to take a "'snapshot' of their Lifeline subscriber base at a particular time each month and claim support for the number of Lifeline subscribers in the snapshot." *Id.* at 7898, n.477 (quoting USAC Training, *Changes to the Lifeline Disbursement Process and New FCC Form 497, Transition to Payment on Actuals and Filing New FCC Form 497* at 15 (Aug. 23, 2012)). Here, there is no indication that UTPhone adopted any snapshot date and instead sought two months of reimbursement for a single time-period.