



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 29, 2014

The Honorable David Vitter
United States Senate
516 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Vitter:

Thank you for your letter regarding our efforts to curb waste, fraud, and abuse in the Lifeline program, and particularly the Commission's Office of Inspector General's (OIG) request for Section 1811 criminal investigators. Please be assured that curbing waste, fraud, and abuse in all the Universal Service Fund (USF) programs is a top priority at the Commission, and we are actively coordinating with the OIG within the four corners of the Universal Service Administrative Company (USAC) Memorandum of Understanding to ensure that all USF programs undergo robust and sustained monitoring and enforcement.

The OIG is able to, and has, hired trained investigators to fulfill its mission. The Commission does not maintain any control over the OIG's funding and passes through its budget request to the Office of Management and Budget (OMB) and Congress, including Salaries and Expenses (S&E) accounts. Through this process, the OIG exercises independent discretion in determining the size and composition of its staff in accordance with Section 8G of the Inspector General Act and subject to standard federal hiring and employment regulations and statutes.

The OIG's request for Section 1811 criminal investigators, however, requires additional scrutiny and consideration because these employees can be authorized to carry weapons. Also, the Communications Act of 1934 does not provide specific authority for hiring Section 1811 Criminal Investigators or equivalents, so the FCC's Chairman is legally responsible for ensuring that a decision to bring these employees to the FCC would comply with all applicable laws and federal workplace rules. I take this responsibility very seriously and I am currently reviewing the OIG's request with these issues in mind.

I would also note that during Fiscal Years 2014 and 2015 the OIG received nearly all funds requested from the FCC's appropriation. And in previous years, the OIG has received permission from Congress to use USF funds for related program investigations. Unfortunately, the Commission's Fiscal Year 2015 appropriation does not provide additional requested funds to fully deploy our USF strike force. General FCC funding has been flat-lined for several years, with an additional loss of almost \$17 million in 2013 due to sequestration.

Despite this funding situation, the FCC has achieved considerable success in reforming all the USF programs, including Lifeline. For example, the Commission established a National Lifeline Accountability Database (NLAD) as part of our *Lifeline Reform Order*, and its use has decreased program fraud significantly. Thus far, the NLAD has eliminated approximately 1.28 million duplicates, which will save the fund approximately \$161 million on an annualized basis.

These data paint a different picture from that in the *Washington Examiner* report cited in your letter because that report relies upon stale, inaccurate data. The quoted study was based on data through the third quarter of 2012, just as we began to implement the majority of the reforms in the 2012 *Lifeline Reform Order*. The study itself notes that the number of Lifeline subscribers in Maryland began to decline shortly after the release of the *Lifeline Reform Order*. More recent USAC data indicates that Maryland is a success story, with less than half the number of Lifeline subscribers that it had in 2012. These subscribers represent well under half of the Lifeline eligible households in Maryland based on census estimates.

We also have significantly increased our efforts to tackle waste, fraud and abuse in the Lifeline program, including coordination with OIG and the Department of Justice on various joint investigations. The FCC's Enforcement Bureau (EB) issued an Enforcement Advisory noting that Lifeline providers are liable if their agents or representatives violate Lifeline program rules. In addition, EB issued over 300 citations to individuals in 10 states notifying them that they had violated the Lifeline program rules by receiving Lifeline-supported service on multiple customer accounts and advising them of the potential assessment of fines of up to \$16,000, the maximum amount the Commission may fine a consumer for this type of violation.

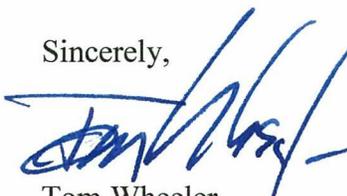
Our Lifeline enforcement actions during the last two years include twelve Notices of Apparent Liability proposing over \$90 million in fines against companies for violating rules limiting Lifeline subscriptions to one subscriber per household. These proposed penalties are in addition to full recovery of the USF funds paid to the carriers for duplicative Lifeline service. EB also entered into consent decrees with two companies providing Lifeline service in Oklahoma, which involved duplicative support claims and collectively resulted in \$600,000 in payments to the U.S. Treasury and over \$400,000 in repayments to the USF.

In addition to its aggressive enforcement efforts aimed at Lifeline program noncompliance, during 2013 and 2014 the Commission carried out eight enforcement actions involving violations of its USF contribution rules, resulting in payments to the U.S. Treasury totaling approximately \$3.3 million. The Enforcement Bureau continues to investigate alleged rule violations in all of the universal service programs, and the USF Strike Force has a number of active investigations aimed at rooting out waste, fraud, and abuse.

The Lifeline program provides critical communications services to those who are least likely to be able to secure these services, affording the less fortunate an ability to contact family, employers, prospective employers and emergency services by the same rapid and reliable means that are routinely available to other consumers. Protecting this vital program from fraud, waste and abuse is a central component of our efforts to ensure the program's continued viability.

I appreciate your interest in these matters. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler", with a long horizontal stroke extending to the left.

Tom Wheeler