Ajit Pai
Commissioner

Ms. Donna L. Nelson
Chairman
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, TX 78711-3326

Dear Chairman Nelson,

I seek your aid in combating the waste, fraud, and abuse that has riddled the Universal Service Fund's Lifeline program since wireless resellers began participating in this program.

Before 2012, duplicate subscribers (that is, individuals getting multiple subsidies) plagued Lifeline. That year, the Federal Communications Commission codified the "one-per-household" rule, which prohibits a single household from obtaining more than one Lifeline subscription. To enforce this rule, the FCC established the National Lifeline Accountability Database, or NLAD. The NLAD is designed to help carriers identify and prevent duplicate claims for Lifeline service.

Three NLAD safeguards are critical to preventing duplicate enrollments. First, the NLAD verifies the identity of an applicant using a third-party identity verification (TPIV) process in which an applicant's first name, last name, date of birth, and the last four digits of his or her Social Security Number are matched against official records. Second, the NLAD authenticates an applicant's address with the U.S. Post Office database. Third, the NLAD determines whether a Lifeline subscription would duplicate another at that same address.

The NLAD also allows Lifeline wireless resellers to override each of these safeguards. To override the TPIV safeguard, a wireless reseller is supposed to review the appropriate documents for an applicant and then certify to the Universal Service Administrative Company (USAC), which administers Lifeline on the FCC's behalf, that it has done so. USAC staff reviews that certification—but not the actual underlying documents—before authorizing a TPIV override. In contrast, wireless resellers can override a failed address authentication without any review by USAC staff. Similarly, overriding a duplicate determination, called an independent economic household (IEH) override, requires no USAC oversight. An applicant (or, more likely, an unscrupulous wireless reseller) need only check a box.

Unfortunately, the NLAD is ripe for abuse. In April, the FCC proposed a $51 million forfeiture against Total Call Mobile for its dubious practices. From that investigation, we learned how Total Call Mobile's sales agents repeatedly registered duplicate subscribers, all resulting in USAC finding 32,498 enrolled duplicates. We also learned how Total Call Mobile's sales agents repeatedly overrode the safeguards of the NLAD—abuse so far-reaching that, at one point, 99.8% of Total Call Mobile's new subscribers were the result of overrides.

The investigation of Total Call Mobile also revealed disturbing trends within the broader Lifeline program. USAC has reported that at least 16 other major Lifeline wireless resellers may have employed the same tactics as Total Call Mobile. Indeed, wireless resellers completed 5,885,649 enrollments between October 2014 and April 2016 by overriding federal safeguards. That's almost half (48.4%) of subscribers enrolled by wireless resellers during that period. The annual cost to the American taxpayer of these overrides alone totals $650 million.

I am writing to alert you to some of the abuses we have seen with the NLAD, since Texas is one of the four states that run their own Lifeline accountability databases. I also hope to learn from Texas's experience combatting abuse of the Lifeline program. To that end, I respectfully request that the Public Utility Commission of Texas provide the following information to my office:

1. What checks does the PUC have in place to ensure that Texas applicants for the Lifeline program are not duplicates? Specifically, how does the PUC verify an applicant's identity, authenticate his or her address, and determine whether the one-per-household rule is being enforced?

2. Does the PUC let wireless resellers override any of its safeguards? Specifically, how does it account for:

    a. Applicants with rural addresses that might not be easily verifiable by the Postal Service,

    b. Applicants from tribal lands whose addresses might not be easily verifiable by the Postal Service, and

    c. Applicants living at the same address as another applicant but who claim to be independent economic households?

3. Would you please detail, for each category of overrides that the PUC allows, how often overrides have been used from October 2014 to the present, as well as what percentage of enrolled applicants was accrued as a result of an override?

4. What is the process associated with such overrides? What documentation does the PUC require before authorizing an override? Does an independent party (such as Commission staff) review applicant documentation before authorizing an override? If not, why not?

5. What audit programs does the PUC have in place to review suspicious wireless reseller activity and enforce compliance? How does it determine which wireless resellers to audit?

6. Would you please provide a carrier-by-carrier breakdown of the number and type of overrides each Lifeline reseller employed to bypass the Texas accountability database?

7. If the PUC previously identified particular carriers as abusing the Lifeline system, what remedies has it adopted to combat such abuse?

I appreciate the Public Utility Commission of Texas's commitment to protecting taxpayers and safeguarding the Universal Service Fund. Given the hundreds of millions in taxpayer funds apparently lost to unscrupulous behavior in the Lifeline program, I hope you will agree that our paramount task must be to eliminate waste, fraud, and abuse from the Lifeline program. I therefore ask that you respond with the requested information by August 2, 2016. If you have any questions, please feel free to contact Nicholas Degani in my office at (202) 418-2000.

Sincerely,

Ajit Pai
Commissioner
Federal Communications Commission

cc: Kenneth W. Anderson, Jr., Commissioner
Brandy Marty Marquez, Commissioner