

Auditors Report Common Findings

January 2015

USAC's Internal Audit Division conducts audits of carriers who receive Lifeline Program support to ensure compliance with applicable FCC rules, state laws, and program requirements. Below is a list of common non-compliance findings that were identified in recent audits. While this list is not comprehensive, we hope this information will encourage carriers to review their policies and procedures to ensure compliance in the future:

Improper Advertising Materials

- Carrier's Lifeline Program advertising materials must contain the required disclosures found in 47 C.F.R. § 54.405(c); FCC 12-11, ¶ 275).

Inadequate Advertising Method

- Carrier's must publicize the Lifeline Program and it must be reasonably designed to reach those likely to qualify for Lifeline Program support throughout the carriers' entire ETC-designated study areas (47 C.F.R. § 54.405(b)).

Subscribers Who Resided Outside of the ETC-Designated Study Areas

- Subscriber reported on the FCC Form 497 must reside within the Beneficiary's ETC-designated study areas (47 C.F.R. § 54.201(b)).

Improper Retention of Subscribers' Proof of Eligibility Documentation

- Carriers may not retain copies of the documentation evidencing a subscriber's income- or program-based eligibility to receive Lifeline Program support (47 C.F.R. §§ 54.410(b)(1)(ii), 54.410(c)(1)(ii)).

Lack of Subscriber Eligibility Information

- Carriers must retain records detailing the data source used to confirm subscribers' eligibility to receive Lifeline Program support (47 C.F.R. §§ 54.410(b)(1)(iii), 54.410(c)(1)(iii), 54.417(a)).

Lack of Required Subscriber Information

- Carriers must collect the last four digits of the subscriber's Social Security Number and/or subscriber's date of birth (47 C.F.R. §§ 54.410(d)(2)(i)-(vi), 54.417(a)).

Lack of Subscriber Certification and Recertification Documentation

- Carriers must obtain and/or maintain subscriber certification and/or recertification documentation (47 C.F.R. §§ 54.410(b)(1)(i), 54.410(b)(2)(ii), 54.410(c)(1)(i), 54.410(c)(2)(ii), 54.410(f)(2)(iii), 54.410(f)(3)(iii), 54.417(a)).

Improper Subscriber Certification and Recertification Documentation Disclosures

- Subscriber certification and/or recertification documentation must contain the required disclosures and/or certifications found in: (47 C.F.R. §§ 54.407(b), 54.410(d), 54.410(f)(1), 54.410(f)(2)(iii)).

Improper Qualification Criteria

- Carrier's Lifeline Program advertising materials, subscriber certification documentation, and/or subscriber recertification documentation must include all eligible qualification criteria (47 C.F.R. §§ 54.405(b), 54.409).

Improper Recertification Process

- To the extent that a state eligibility database is available to confirm subscriber eligibility, carriers must use the state eligibility database to confirm the initial and/or continued eligibility of subscribers (47 C.F.R. § 54.410(f)(2)(i)-(iii); DA 12-1626, at 1-2).
- Carriers must inform subscribers that failure to respond to the carrier's recertification request within 30 days of the date of the request will trigger de-enrollment from the Lifeline Program (47 C.F.R. § 54.405(e)(4)).
- Carriers must de-enroll subscribers from the Lifeline Program within five business days after a subscriber failed to respond to the carrier's recertification request by the required deadline (i.e., within 30 days of the date of the request) (47 C.F.R. § 54.405(e)(4)).

Duplicate Addresses for the Same Subscriber

- Subscriber listings provided by the carrier to substantiate the total number of Lifeline Program subscribers reported on the FCC Form 497 contained the same address for the same subscriber listed more than once (47 C.F.R. § 54.400(g)).

Improper Subscriber Addresses

- Subscriber listings provided by the carrier to substantiate the total number of Lifeline Program subscribers reported on the FCC Form 497 may not contain Post Office (P.O.) Boxes as the subscriber's residential addresses (FCC 12-11, ¶ 87).

Improper Application of Lifeline Discount Amount

- Carriers that assessed federal End User Common Line (EUCL) charges or equivalent federal charges must apply the Lifeline discount to first waive the federal EUCL charges or equivalent federal charges prior to applying any remaining Lifeline Program discount to the subscribers' intrastate rates (47 C.F.R. § 54.403(b)(1)).

Inaccurate FCC Form 555 Reporting

- Subscriber listings provided by the carrier to substantiate the total number of Lifeline Program subscribers reported on the FCC Form 497 must agree to the information reported on the FCC Form 555 (47 C.F.R. §§ 54.405(e)(3), 54.416(b), 54.417(a); FCC Form 555 Instructions).

Improper Non-Usage Process

- Text messaging is not a method by which subscribers may demonstrate the use of Lifeline Program-supported services (47 C.F.R. §§ 54.405(e)(3), 54.407(c)(2); FCC 12-11, n. 709).

Improper Federal Universal Service Funding Fee

- Carriers assessed a federal universal service funding fee against intrastate telecommunication services and/or interstate telecommunications services that were discounted by Lifeline Program support. When assessing a federal universal service funding fee, the carrier must consider the following:
 - The carrier that assesses an End User Common Line charge (EUCL), or its equivalent, must first apply Lifeline Program support to reduce the EUCL to \$0. Because the EUCL is reduced to \$0, no federal universal service funding fee may be assessed based on the EUCL (47 C.F.R. § 54.403(b)).
 - If long distance calls are itemized by intrastate and interstate calls, only the interstate calls may be used when assessing a federal universal service funding fee (FCC 03-58 ¶¶ 10, 11; 47 C.F.R. § 54.712(a)).
 - If the carrier offers a package plan that does not itemize the intrastate and interstate calls/charges, the carrier may only assess a federal universal service funding fee against the percentage of the charges that represent interstate calls (FCC 03-58 ¶¶ 10, 11; 47 C.F.R. § 54.712(a)).
 - The carrier may not average contribution costs across all subscribers (i.e., charge a flat rate). The contribution cost must not exceed the contribution factor times the total amount of the interstate charges for telecommunications service on each subscriber's bill (FCC 02-329 ¶ 51).