



High Cost and Low Income

Audit Briefing Book

Monday, July 29, 2019

2:00 p.m. - 4:30 p.m. Eastern Time

Universal Service Administrative Company

700 12th Street, NW, Suite 900

Washington, DC, 20005

Summary of High Cost Support Mechanism Beneficiary Audit Report Released: June 5, 2019

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Geneseo Telephone Company (IL) Attachment A	5	<ul style="list-style-type: none"> • <u>Inaccurate Interstate Switched Access Revenues</u>: Neither the billing reports nor the general ledger supported the amounts reported for interstate revenues. • <u>Inaccurate Access Line Counts</u>: The reported line count exceeded the number of lines supported by the Beneficiary's documentation. • <u>Inaccurate Subscriber Line Charge Revenues and Line Port Charge Revenues</u>: The end user Subscriber Line Charge and Line Port Charge revenues were not supported by the Beneficiary's documentation. 	\$2,885,874	\$547,336	\$547,336	Y
Total	5		\$2,885,874	\$547,336	\$547,336	



Universal Service
Administrative Co.

Geneseo Telephone Company (IL)

Limited Review Performance Audit on Compliance with the Federal
Universal Service Fund High Cost Support Mechanism Rules
USAC Audit No. HC2016BE008

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EXECUTIVE SUMMARY

October 15, 2018

Scott Rubins
President
Geneseo Telephone Company
111 East First Street
Geneseo, IL 61254

Dear Mr. Rubins:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Geneseo Telephone Company (Beneficiary), study area code 341016, disbursements for the year ended December 31, 2015, using the regulations and orders governing the federal Universal Service High Cost Support Mechanism, set forth in 47 C.F.R. Parts 32, 36, 51, 54, 64, and 69, as well as other program requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited review performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our examination disclosed 5 detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the Federal Communications Commission (FCC) and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Teleshia Delmar', is written over the word 'Sincerely,'. The signature is stylized and somewhat illegible due to the cursive nature of the handwriting.

Teleshia Delmar
USAC Vice President, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Vic Gaither, USAC Vice President, High Cost Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect & Recommended Recovery ¹
Finding #1: 47 C.F.R. § 51.917(d)(1)(v) - Inaccurate Interstate Switched Access Revenues: Neither the billing reports or the general ledger agreed to the reported amounts for Interstate Revenues.	\$402,123
Finding #2: 47 C.F.R. § 54.903(a)(1) - Inaccurate Access Line Counts: The reported line count exceeds the number of lines supported by the Beneficiary's supporting documentation.	\$207,621
Finding #3: 47 C.F.R. § 54.903(a)(4) Inaccurate Subscriber Line Charge Revenues and Line Port Charge Revenues: The end user Subscriber Line Charge and Line Port Charge revenues do not agree to the supporting documentation.	(\$52,254)
Finding #4: 47 C.F.R. § 51.917(e)(1), (2) - Inaccurate Access Recovery Charge Revenues: The reported Access Recovery Charge revenues for High Cost Program purposes did not agree to the supporting documentation.	(\$8,314)
Finding #5: 47 C.F.R. § 51.917(d)(1)(v) - Inaccurate Intrastate Terminating Switched Access Service Revenues: Neither the billing reports nor the general ledger agreed to the reported amounts for Intrastate Revenues.	(\$1,810)
Total	\$547,366

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the High Cost Program support amount noted in the chart below. The Beneficiary must implement policies and procedures necessary to comply with the Rules. USAC management requests that the Beneficiary provide a detailed description of the policies and procedures implemented to address the findings no later than sixty (60) days after receipt of this

¹ The recovery amount noted in the table is not reflective of prior period or cap adjustments. The actual recovery amount for this final audit report will not exceed the proposed recovery amount.

audit report. Please submit the requested information to hcaudits@usac.org. The Beneficiary may be subject to further review if the Beneficiary does not provide the requested information to USAC management.

	ICLS (A)	CAF ICC (B)	USAC Recovery Action (A) + (B)
Finding #1	\$0	\$402,123	\$402,123
Finding #2	\$207,621	\$0	\$207,621
Finding #3	(\$52,254)	\$0	(\$52,254)
Finding #4	\$0	(\$8,314)	(\$8,314)
Finding #5	\$0	(\$1,810)	(\$1,810)
Mechanism Total	\$155,367	\$391,999	\$547,366

As a result of the audit, USAC management will recover \$547,366 of High Cost Program support from the Beneficiary for SAC 341016.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the High Cost Program support that was included in the scope of this audit:

High Cost Support	Data Period	Disbursement Period	Disbursements Audited
Connect America Fund (CAF) Inter-carrier Compensation (ICC)	2012-2013	2015	\$1,475,388
Interstate Common Line Support (ICLS)	2013	2015	\$1,410,486
Total			\$2,885,874

BACKGROUND

The Beneficiary is an average schedule eligible telecommunications carrier (ETC) that operates in Illinois.

PROCEDURES

AAD performed the following procedures:

A. High Cost Program Support Amount

AAD recalculated the support received for each High Cost component and determined that there were no more than nominal differences from the amounts recorded in the High Cost system.

B. High Cost Program Process

AAD obtained an understanding of the Beneficiary’s processes related to the High Cost Program to determine whether the Beneficiary complied with the Rules. AAD also obtained and examined documentation to determine whether the Beneficiary reported the information in its High Cost data filings based on the dates established by the Rules (*i.e.*, month or year-end, as appropriate).

C. Subscriber Listing and Billing Records

AAD obtained and examined the Beneficiary’s subscriber listings and billing records. AAD used computer assisted auditing techniques to analyze the data files and determine whether:

- The number and type of lines in the data files agreed to the number and type of lines reported on the Beneficiary’s High Cost data filings.
- The data files contained duplicate lines.
- The data files contained blank or invalid data.
- The data files contained non-revenue producing or non-working loops.
- The lines in the data files were identified with the proper residential/single line business (Res/SLB) or multi-line business (MLB) classification.

D. Revenues

AAD obtained and examined the general ledger, invoices, and other related documentation to determine whether the Beneficiary reported accurate common line and other revenue balances.

E. Exchanges

AAD obtained and examined general exchange tariffs (if applicable) and other related documentation to determine whether the Beneficiary reported the accurate number of exchanges.

F. Form 481

AAD obtained and examined the Beneficiary’s FCC Form 481 (Form 481) for accuracy by comparing select data reported against the Beneficiary’s data files.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 51.917(d)(1)(v) – Inaccurate Interstate Switched Access Revenues

CONDITION

AAD obtained and examined the Beneficiary's billing reports and general ledger to determine whether the Beneficiary reported accurate Interstate Switched Access Revenues (Interstate Revenues) for High Cost Program purposes.² The total Interstate Revenues that were identified on the Beneficiary's billing reports and general ledger did not agree to what the Beneficiary reported. Further, the Beneficiary was not able to reconcile the billing reports to the Interstate Revenue amounts recorded in its general ledger, nor was the Beneficiary able to reconcile the general ledger to the Interstate Revenues reported. The differences are summarized below:

Interstate Revenues	Program Year 2012-2013
As Reported to USAC for CAF ICC Purposes	\$620,573
Per the General Ledger	\$1,424,818 ³
Per the Billing Report	\$1,415,090

The Beneficiary reported \$620,573 of Interstate Revenues to USAC. The Beneficiary did not maintain any documentation to substantiate the \$620,573 in Interstate Revenues it reported to USAC. Thus, AAD relied on the Beneficiary's audited general ledger which included \$1,424,818 of net Interstate Revenues (gross revenues minus bad debt expense). Thus, the Beneficiary under-reported its net Interstate Revenues by \$804,245 (\$1,424,818 - \$620,573). Because the Beneficiary's supporting documentation did not agree to what was reported, AAD cannot conclude that the Beneficiary reported accurate actual Interstate Revenues. The Beneficiary must report accurate Interstate Revenues for High Cost Program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report accurate Interstate Revenues for High Cost Purposes. The Beneficiary informed AAD that it was not a part of the NECA Traffic Sensitive Pool and experienced bad debt write-offs.⁴

EFFECT

² See 47 C.F.R. 51.917(d)(1)(v) (explaining the eligible recovery for rate-of-return carriers). As stated above, the audit included examining, on a test basis, evidence supporting the data used to calculate support. AAD reviewed records and data submitted by the Beneficiary to support its accounting. To test the accuracy of the Beneficiary's actual Interstate Revenues, AAD examined the Beneficiary's Tariff Review Plan and its general ledger (interstate revenues minus its bad debts (uncollectible) expense) to substantiate the Beneficiary's demand (i.e., actual revenue in the year in which the payment was received). To ensure that the 2014 true-up amount that was paid to the Beneficiary was accurate, AAD compared the actual interstate switched access revenues to the Beneficiary's projected interstate revenues.

³ The Beneficiary's general ledger amount included gross interstate revenues \$2.05 million less the unrealized bad debts of \$626K for the period July 2012 - June 2013.

⁴ See Beneficiary Responses to the exception summary received July 10, 2018 and subsequent discussions with the Beneficiary on July 24, 2018.

The Beneficiary was audited by an independent audit firm, which included a review of the Beneficiary’s general ledger. Because the Beneficiary could not reconcile the Interstate Revenues from its billing reports or the general ledger to the Interstate Revenues it reported for High Cost Program Purposes, AAD relied on the amounts recorded in the Beneficiary’s audited general ledger to perform a reconciliation. A comparison of the Interstate Revenues recorded in the general ledger and the Interstate Revenues reported for High Cost program purposes resulted in a \$402,123 overpayment of CAF ICC support. An under-reporting of Interstate Revenues results in an over-payment of CAF ICC support.

Support Type	Monetary Effect & Recommended Recovery
CAF ICC	\$402,123 ^{5,6}

RECOMMENDATION

AAD recommends USAC management seek recovery of the amounts identified in the Effect section above. The Beneficiary must ensure it has an adequate system to report accurate data for High Cost Program purposes and maintain documentation to demonstrate compliance with the Rules. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC’s website at <http://www.usac.org/about/about/program-integrity/findings/common-audit-hc.aspx>.

BENEFICIARY RESPONSE

The Beneficiary reporting difference in its Billing Reports to its General Ledger is less than 0.6%, and the Beneficiary agrees with the numbers provided in the AAD conditions table for both the company reported General Ledger and Billing Reports. The Beneficiary agrees the difference between the amount reported and its General Ledger is in bad debt.

During the 2012-2013 timeframe period, the difference in reporting relates to experienced bad-debt write-off and the timing of such write-off. All \$804,255 difference (\$1,424,828 - \$620,573) is related to Bad Debt expense,

AAD is correct in that the Beneficiary was not in the NECA Traffic Sensitive Pool during the TY 2012/2013 test period.

The Beneficiary does not agree with the effect finding. In support of this finding, the Beneficiary offers up the following reply:

⁵ The CAF ICC program year involves disbursement of funds on a July to June basis, with true-up payments disbursed two years after the program year. The true-up payment for the 2012 – 2013 CAF ICC program year was disbursed from July 2014 to June 2015 (based on data submitted in June 2014). The audit period includes an examination of disbursements paid in 2015; therefore the monetary effect for this Finding accounts for the last six months of the true-up payment that occurred from January to June 2015 that corresponds to the 2012–2013 program year.

⁶ The variance between the \$620K amount reported for CAF ICC purposes and the \$1.4M in net revenues results in a \$804,245 exception for the July 2012 to June 2013 program year, which would be trued up during the 2014 – 2015 program year. Because the audit period is 2015 disbursements, this issue only affects the first half of the audit period, therefore, the monetary effect is \$402,123.

The Beneficiary exited the NECA Traffic Sensitive Pool in 2002 and elected to file its Interstate and Intrastate (Illinois) Switched Access Rates pursuant to 47 C.F.R. § 61.39. Under these rules, small telephone companies may file access tariffs using historical data pursuant to 47 C.F.R. § 61.39, for a biennial period to be effective on July 1 of any odd-numbered year.

On November 18, 2011, the Federal Communications Commission (FCC) released Connect America Fund et al, WC Docket No 10-90 et al, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, which amongst various other actions, required Beneficiary to revise its Interstate Access Tariff filings outside the normal two-year period. Because the proposed order was between two-year periods, the Beneficiary was required to re-file for a single calendar period and, for the first time since 2002, use projected information.

On June 16, 2012, Beneficiary filed a projected Interstate access tariff, new ARC calculation and TY 2012/2013 Interstate Eligible Recovery amounts per the USF/ICC Transformation Order and in compliance with the *2012 Annual Access Tariff Filing*. A copy of this filing has been provided to AAD.

On July 2, 2012, the FCC ordered an investigation into the Access Recovery Charge (ARC) rates contained in the June 16, 2012 filing of the National Exchange Carrier Association (named “NECA Issuing Carriers”) and approximately 50 other local exchange carriers (named “Other Designated LEC’s”) that were also not part of the NECA Traffic Sensitive Pool at the time of this filing. At the time of this filing, Interstate Access Revenues for the projected 2012/2013 test period were estimated to be \$629,572 for the Beneficiary. It is this amount that the Beneficiary’s interstate access rates, and consequently Intrastate Access rates, the NEW end user ARC rates and Interstate Eligible Support amounts were based upon.

On August 31, 2012 the FCC issued an Order Designating Issues for Investigations, ordering Beneficiary, NECA and 50 other local exchange carriers to file direct cases outlined in the investigation on numerous topics. Specifically, at that time, Beneficiary (Geneseo Telephone Company) was designated in the “Other Designated LEC’s” group.

On September 27, 2012, Beneficiary filed its Direct Case with the FCC in reply to the August 31, 2012 FCC directive.

On December 3, 2012, the FCC issued its final Order on the 2012 Annual Access Tariff Filing and the June 16, 2012 filings, amongst other items, specifically stated for Beneficiary the conclusion that Beneficiary’s filing was “*just and reasonable, and therefore lawful.*” Therefore, Beneficiary believes its Access Rates, revenues projections, ARC rates and TY 2012/2013 Interstate Eligible Recovery was lawfully approved at the levels projected.

The Beneficiary rejoined the NECA Pool in July 2013.

The \$804,255 difference between the amount reported on the FCC Form 509 and the Beneficiary General Ledger is bad debt associated with the period March 2012 – September 2013. AAD has identified a Monetary Effect & Recommended Recovery impact of \$402,123 which Beneficiary believes to correspond to bad debt associated with the period outside TY 2012/2013 but reported against this period based upon the timing and effect of the bad debt. Beneficiary cannot balance to the Monetary

Effects and Recommended Recovery impact. Regardless of the specific amount, the monetary calculation would substantially penalize the company for re-entry into the NECA Traffic Sensitive Pooling system, a penalty that because the window has closed on the NECA Traffic Sensitive pooling process and the Beneficiaries election to re-enter the NECA Traffic Sensitive Pool, would unjustly and unreasonably financially impact the Beneficiary for financial transactions that for no other reason were based upon the timing of the journal entry on the company's books. Had the Beneficiary collected the amounts, the Beneficiary would have properly reported, and the CAF ICC would have been adjusted accordingly. However, based upon the Beneficiary's understanding of the monetary effect, no mechanism has been provided to properly report the transactions.

Should the Monetary Effect and Recommended Recovery impact be recommended, the Beneficiary would respectfully request that a credit be provide against the July 2013 – June 2014 Interstate Eligible Recovery, for the bad debts not considered by AAD and not reported on its July 2013 – June 2014 Form 507, which was done as part of the NECA Traffic Sensitive Pooling Process, thus Beneficiary believes this would substantially reduce the monetary effect on the CAF ICC Fund over the two year period.

The Beneficiary is prepared to provide all associated documents that have not already been provided with the activity list above as further documentation and in support of its position.

AAD RESPONSE

The Beneficiary stated that it does not agree with the effect finding because 1) it filed tariffs in accordance with 47 C.F.R. § 61.39, 2) the FCC issued the *Investigation of Certain 2012 Annual Access Tariffs Order* (Order) stating that the Beneficiary's projections were reasonable, 3) the \$804,255 difference (between the \$1,424,818 Interstate Revenues in its General Ledger and the \$620,573 the Beneficiary reported as its Interstate Revenues) is related to bad debt for the period March 2012 to September 2013, and 4) the monetary effect calculation would substantially penalize the company for re-entry into the NECA Traffic Sensitive Pooling system.

AAD does not agree. The Beneficiary must comply with CAF ICC rule 47 C.F.R. § 51.917(d)(1)(iii)(B)⁷ despite its obligation to file its tariff pursuant to 47 C.F.R. § 61.39 and the FCC's Order stating that the Beneficiary's projections were reasonable. The rule and order do not preempt carriers from CAF ICC true-up reporting requirements. 47 C.F.R. § 51.917(b)(1)(iii) defines the 2011 Interstate Switched Access Revenue requirement for a Rate-of-Return Carrier subject to § 61.39 of this chapter that filed its own annual switched access tariff in 2011, and its historically-determined annual interstate switched access revenue requirement filed with its 2011 annual interstate switched access tariff filing. The 2011 Interstate Revenue Requirement is included in the sum of the 2011 Base Period Revenue calculation. 47 C.F.R. § 51.917(d)(1)(iii)(B) requires that "[b]eginning July 1, 2014, a Rate-of-Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-Return Carrier Baseline Adjustment Factor less: ... [t]he Expected Revenues from interstate switched access for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in § 51.909, adjusted to reflect the True-Up Adjustment

⁷ 47 C.F.R. § 51.917(d)(1)(iii)(B) states that the Beneficiary's eligible recovery is equal to the base period revenue less the expected interstate revenues (which is the forecasted demand multiplied by the rate), minus True-Up adjustments for the year beginning July 1, 2012.

for Interstate Switched Access for the year beginning July 1, 2012.” AAD’s Finding noted that the Beneficiary reported inaccurate Interstate Switched Access Revenues reflected in the True-up Adjustment for the year beginning 2012. AAD did not take exception to the Interstate Revenue Requirement values nor the Base Period Revenue reported. 47 C.F.R. § 61.39 does not preempt carriers from the CAF ICC true-up reporting requirements as noted by 47 C.F.R. § 51.917. Therefore, the Beneficiary’s assertions as it pertains to the 47 C.F.R. § 61.39 rules are not applicable as it relates to the Interstate Switched Access Revenue Requirement including in the Base Period Revenues calculation, not the true-up values reported for the expected revenues.

The Beneficiary believes that “its Access Rates, revenues projections, ARC rates and TY 2012/2013 Interstate Eligible Recovery was lawfully approved at the levels projected.” The *Designation Order* requested named Incumbent Local Exchange Carriers (ILECs), including the Beneficiary, to file direct cases clarifying their Annual Access Tariff Filings.⁸ Pursuant to Attachment A of the *Designation Order*, the Beneficiary was required to corroborate its ARC base rate projections. On December 3, 2012, the FCC issued *Investigation of Certain 2012 Annual Access Tariffs*, WC Docket No. 12-233, Order, 27 FCC Rcd 15577 (2012) stating that most carriers’ ARC rate base projections, including Geneseo Telephone Company’s, were just and reasonable. This ruling is not inconsistent with, nor does it preempt a finding, that inaccurate Interstate Switched Access Revenues were reported for High Cost program purposes because it concerned the reasonableness of the carrier’s rates based on projections, as opposed to the actual interstate switched revenues. Thus, the Beneficiary’s assertions as it pertains the direct case and actual interstate switched access revenues are unsubstantiated.

The Beneficiary also stated in its response that “[t]he \$804,255 difference between the amount reported on the FCC Form 509 and the Beneficiary General Ledger is bad debt associated with the period March 2012 – September 2013.” AAD disagrees with the Beneficiary’s assertion. First, the numbers referenced in the Beneficiary’s Response are incorrect. As stated in the Condition, the Beneficiary’s Interstate Revenues per its General Ledger were \$1,424,818, and not \$1,424,828 as noted in the Beneficiary Response. The resulting variance between the amounts reported for CAF ICC purposes and the Beneficiary’s general ledger is \$804,245, and not \$804,255. The Beneficiary also noted in its response that the variance results from the difference between the amounts reported on the FCC Form 509 and the general ledger. The Form 509 is used for ICLS purposes and is not a factor in CAF ICC support amounts. In addition, the \$804,245 variance reflects the amount of the bad debts associated with periods outside of the 2012 – 2013 tariff filing year. C.F.R. 47 § 51.909(4)(a) states that each rate of return carrier shall determine its interstate switched access revenues for the preceding calendar year for CAF ICC purposes. The Beneficiary’s claims relating to bad debts are invalid because 47 C.F.R. § 51.917(b)(6) states that True-Up revenues are equal to the projected demand minus actual realized demand, times the default transition rate for that service specified by §51.909. The \$1,424,818 of Interstate Revenues reported in the Beneficiary’s general ledger includes bad debts for the period July 2012 to June 2013, but excludes bad debt for periods outside of the program year. Although the Beneficiary received CAF ICC true-ups for the 2013 – 2014 program year, the Beneficiary entered in the NECA Traffic Sensitive Pool for the 2013 CAF ICC Program year, thus NECA reported the pooled interstate revenues on the Beneficiary’s behalf. Therefore, the bad debt expense as noted on the Beneficiary’s documentation for August 2013 to September 2013 was not included.

⁸ *Investigation of Certain 2012 Annual Access Tariffs*, WC Docket No. 12-233, Order Designating Issues for Investigation, 27 FCC Rcd 10311 (2012) (*Designation Order*).

Further the Beneficiary stated in its response that “AAD has identified a Monetary Effect & Recommended Recovery impact of \$402,123” but the “Beneficiary cannot balance to the Monetary Effects and Recommended Recovery impact.” Because AAD’s audit includes an examination of disbursements paid in 2015, the monetary effect of this finding accounts for the last six months of the true-up payment that occurred from January to June 2015 that corresponds to the 2012 – 2013 program year. The \$402,123 monetary effect noted above reflects half of the \$804,245 variance noted between the CAF ICC true-up reporting and the general ledger.

The Beneficiary stated in its response that “the monetary calculation would substantially penalize the company for re-entry into the NECA Traffic Sensitive Pooling system ... because the window has closed on the NECA Traffic Sensitive Pooling System.” The fact that the Beneficiary was out of the NECA Pooling system during the filing period has no bearing on whether the monetary effect must be calculated and reported. The Beneficiary made a business decision to re-enter the NECA Traffic Sensitive pool. AAD conducts audits in accordance with GAGAS and is required to audit to the FCC and High Cost Program Rules and must note the impact on support as calculated.

The Beneficiary noted that “[h]ad the Beneficiary collected the amounts, the Beneficiary would have properly reported, and the CAF ICC would have been adjusted accordingly. However, based upon the Beneficiary’s understanding of the monetary effect, no mechanism has been provided to properly report the transactions.” Although NECA’s window for reporting information in the Traffic Sensitive Pool has closed, the Beneficiary can submit an updated Tariff Access Plan to the FCC and/or USAC as a result of the Finding. Moreover, had the Beneficiary reported accurate Interstate Switch Access Revenue including the bad debt amounts for the proper period, the Beneficiary would have received a significantly reduced CAF ICC support amount.

For these reasons, AAD’s position on this Finding remains unchanged.

Finding #2: 47 C.F.R. §54.903(a)(1) – Inaccurate Access Line Counts

CONDITION

AAD obtained and examined the Beneficiary’s subscriber listing to determine whether the Beneficiary reported accurate access line counts for High Cost Program purposes. AAD identified 2,934 ineligible lines that consisted of remote call forwarding lines and lines reported above the capacity of the trunks; thus, these lines are ineligible for support. Further, the Beneficiary did not report each ISDN PRI arrangement as a maximum of five line counts per arrangement. The Beneficiary over-reported 14,517 additional lines associated with its Integrated Services Digital Network Primary Rate Interface (ISDN PRI) arrangements.⁹

Cumulative MLB Line Counts for Calendar Year 2013	
Reported MLB Line Count	37,214
Ineligible MLB lines – Remote Call Forwarding/Trunk	(2,934)
Ineligible MLB Lines – ISDN PRI	(14,517)
Eligible MLB Line Count Per Subscriber Listing	19,763

⁹ While the Beneficiary over-reported 14,517 lines, the Beneficiary did not assess the \$9.20 SLC charge for these lines; therefore, there is a monetary effect as it relates to the Beneficiary’s line counts that were over-reported but there is no monetary effect associated with the Beneficiary’s SLC revenues for this portion of the Finding.

Because the Beneficiary’s supporting documentation did not agree to what was reported, AAD cannot conclude that the Beneficiary reported accurate access lines. Because of the numerous issues noted with the subscriber listing, AAD conducted an analysis of all the Beneficiary’s subscribers for the entire year. The Beneficiary must report accurate access line counts and a SLC amount for High Cost Program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report the correct access line counts and SLC and LPC revenues for High Cost Program purposes. The Beneficiary informed AAD that it does not believe that its line counts are in error.¹⁰

EFFECT

Support Type	Monetary Effect & Recommended Recovery
ICLS	\$207,621

RECOMMENDATION

AAD recommends USAC management seek recovery of the recommended recovery amount identified in the Effect section above. The Beneficiary must ensure it has an adequate system to report accurate data for High Cost Program purposes and maintain documentation to demonstrate compliance with the Rules. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC’s website at <http://www.usac.org/about/about/program-integrity/findings/common-audit-hc.aspx>.

BENEFICIARY RESPONSE

The Beneficiary does not agree with the Monetary Effect & Recommended Recovery finding. In support of this finding, the Beneficiary offers the following reply:

The Beneficiary exited the NECA Traffic Sensitive Pool in 2002 and elected to file its Interstate and Intrastate (Illinois) Switched Access Rates pursuant to 47 C.F.R. § 61.39. Under these rules, small telephone companies such as the Beneficiary may file access tariffs using historical data pursuant to 47 C.F.R. § 61.39, for a biennial period to be effective on July 1 of any odd-numbered year.

On November 18, 2011, the Federal Communications Commission (FCC) released Connect America Fund et al, WC Docket No 10-90 et al, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, which amongst various other actions, required Beneficiary to revise its Interstate Access Tariff filings outside the normal two-year period. Because the proposed order was in the middle of a two-year period, the Beneficiary was required to re-file for a single calendar period and, for the first time since 2002, use projected information for the second year.

On June 16, 2012, Beneficiary filed a projected Interstate access tariff, new ARC calculation and TY 2012/2013 Interstate Eligible Recovery amounts per the USF/ICC Transformation Order and in compliance with the *2012 Annual Access Tariff Filing*. A copy of this filing has been provided to AAD.

¹⁰ Beneficiary’s response to the Exception Summary received May 4, 2018.

On July 2, 2012, the FCC ordered an investigation into the Access Recovery Charge (ARC) rates contained in the June 16, 2012 filing of the National Exchange Carrier Association (named “NECA Issuing Carriers”) and approximately 50 other local exchange carriers (named “Other Designated LEC’s”) that were also not part of the NECA Traffic Sensitive Pool at the time of this filing.

On August 31, 2012 the FCC issued an Order Designating Issues for Investigations, ordering Beneficiary, NECA and 50 other local exchange carriers to file direct cases outlined in the investigation on numerous topics. Specifically, at that time, Beneficiary (Geneseo Telephone Company) was designated in the “Other Designated LEC’s” group.

On September 27, 2012, Beneficiary filed its Direct Case with the FCC in reply to the August 31, 2012 FCC directive.

On December 3, 2012, the FCC issued its final Order on the 2012 Annual Access Tariff Filing and the June 16, 2012 filings, amongst other items, specifically stated for Beneficiary the conclusion that Beneficiary’s filing was “*just and reasonable, and therefore lawful*”. Therefore, Beneficiary believes its Access Rates, revenues projections, ARC rates and TY 2012/2013 Interstate Eligible Recovery was lawfully approved at the levels projected.

Beneficiary rejoined the NECA Pool in July 2013.

The AAD has not provided any calculation or support of the \$207,621 monetary effect, other than to recommend the Beneficiary request the assistance of NECA to understand the effects. The Beneficiary did reach out to NECA, NECA responded that the ICLS was not calculated with any NECA proprietary calculation.

The Beneficiary requests specific information related to the calculation of the monetary effects before it can reach a conclusion on the monetary effect amount provided by AAD.

The Beneficiary is prepared to provide all associated documents with the activities list above as further documentation and in support of its position.

AAD RESPONSE

The Beneficiary noted in its response that it “does not agree with the Monetary Effect & Recommended Recovery” of the Finding pursuant to 47 C.F.R. § 61.39 and the results of the Direct Case filing. 47 C.F.R. § 54.903 requires that the Beneficiary report the number of lines it serves within the study area showing the residential and single-line business lines and multiline business line counts separately for ICLS purposes. 47 C.F.R. § 61.39 rules relate to the optional supporting information that must be submitted with letters of transmittal for Access Tariff filings by incumbent local exchange carriers serving 50,000 or fewer access lines in a given study area. The 47 C.F.R. § 61.39 rules describe the process for which carriers with fewer than 50,000 access lines must follow for a tariff change or the issuance of a new tariff. 47 C.F.R. § 61.39 does not preempt carriers from the ICLS reporting requirements as noted by 47 C.F.R. § 54.903.

In addition, the Beneficiary noted in its response that it believes that “its Access Rates, revenues projections, ARC rates and TY 2012/2013 Interstate Eligible Recovery was lawfully approved at the levels projected”. The *Designation Order* requested named ILECs, including the carrier, to file direct cases clarifying their Annual

Access Tariff Filings.¹¹ Pursuant to Attachment A of the *Designation Order*, the carrier was required to corroborate its ARC base rate projections. On December 3, 2012, the FCC issued *Investigation of Certain 2012 Annual Access Tariffs*, WC Docket No. 12-233, Order, 27 FCC Rcd 15577 (2012), stating that most carriers' ARC rate base projections, including Beneficiary's, were just and reasonable. This ruling is not inconsistent with, nor does it preempt a finding that, the line counts for actual subscriber lines reported in Beneficiary's 2014 and 2015 true-up filings were inconsistent with the supporting documents provided over the course of the audit because it concerned the reasonableness of the carrier's rates based on projections, as opposed to the actual line counts. Thus, the Beneficiary's assertions as it pertains to the direct case and line counts are unsubstantiated.

Further, the Beneficiary noted in its response that "AAD has not provided any calculation of support of the \$207,621 monetary effect, other than to recommend the Beneficiary request the assistance of NECA to understand the effects". AAD disagrees with the Beneficiary's assertion that AAD did not provide documentation to assist with the calculation of the monetary effect. The Beneficiary employs NECA as their agent to calculate the ICLS revenue requirement using the FCC approved NECA average schedule formulas, and assists with the submission of ICLS data on their behalf. AAD did recommend that the Beneficiary reach out to their NECA representative who could assist with the recalculation of the monetary effect using the updated input values, however, AAD also provided the Beneficiary with all the changes made to the inputs of the calculation (i.e., correct line count data) to produce the monetary effect along with the directions to calculate the ICLS revenue requirement,^{12,13} and thus the ICLS impact.

For these reasons, AAD's position on this Finding remains unchanged.

Finding #3: 47 C.F.R. § 54.903(a)(4) – Inaccurate Subscriber Line Charge Revenues and Line Port Charge Revenues

CONDITION

AAD obtained and examined the Beneficiary's general ledger to determine whether the Beneficiary reported accurate Subscriber Line Charge (SLC) and Line Port Charge (LPC) Revenues for High Cost Program purposes.

The end user SLC Revenues the Beneficiary reported on its FCC Form 509 did not agree to the Beneficiary's general ledger. AAD identified the following differences:

¹¹ See e.g., *Designation Order*.

¹² National Exchange Carrier Association, Inc. 2012 Modification of the Average Schedules <https://prodnet.www.neca.org/publicationsdocs/wwwpdf/4512asmodfiling.pdf>

¹³ National Exchange Carrier Association, Inc. 2013 Modification of the Average Schedules <https://ecfsapi.fcc.gov/file/7022088872.pdf>

Summary Table	FCC Form 509	General Ledger	Difference: Over/(Under) Reported
Subscriber Line Charge Revenues	\$470,545	\$417,163	\$53,382

In addition, the total LPC Revenues that were identified on the Beneficiary’s billing reports and general ledger did not agree to what the Beneficiary reported. Further, the Beneficiary was not able to reconcile the billing reports to the LPC amounts recorded in its general ledger. The Beneficiary did not assess each of its Integrated Service Digital Network (ISDN) Primary Rate Interface (PRI) subscribers a LPC of \$23.51¹⁴ per arrangement. AAD examined the Beneficiary’s billing reports and subscriber listing data to determine the LPC Revenues that should have been reported for High Cost Program purposes. The differences are summarized below:

LPC Revenue	Program Year 2013
As Reported	\$2,210
Per the General Ledger	\$47,287
Per the Billing Report and Subscriber Listing Data	\$3,338 ¹⁵

Because the Beneficiary could not reconcile the LPC Revenues recorded in its billing reports or the general ledger to the LPC Revenues it reported for High Cost Program Purposes, AAD relied on the amounts recorded in the Beneficiary’s billing report and subscriber listing data to perform a reconciliation. Because the Beneficiary’s supporting documentation did not agree to what was reported, AAD cannot conclude that the Beneficiary reported accurate SLC and LPC Revenues. The Beneficiary must report accurate SLC and LPC Revenues for High Cost Program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report accurate SLC Revenues for High Cost Program purposes. The Beneficiary informed AAD that due to the significant passage of time, the Beneficiary is not able to identify a cause, other than minor rounding procedures and possible human error.¹⁶

EFFECT

Support Type	Monetary Effect & Recommended Recovery
ICLS	(\$52,254) ¹⁷

¹⁴ Per the National Exchange Carrier Association, Inc. Tariff F.C.C. No.5, 20th Revision – The Integrated Service Digital Network (ISDN) Primary Rate Interface (PRI) port fee is \$23.51 per arrangement.

¹⁵ It was determined that the Beneficiary should have reported LPC Revenues for 12 arrangements for the entire calendar year with the exception of 2 months for which there were only 11 arrangements to report. The variance between the \$2,210 of LPC Revenues that were reported and the \$3,338 of LPC Revenues supported by the Beneficiary’s documentation is \$1,128.

¹⁶ Per the Beneficiary’s responses to the Audit Results Summary received May 5, 2018.

¹⁷ The monetary effect of (\$52,254 includes the netting of the overstated SLC revenue of \$53,382 and the understated LPC Revenue of \$1,128 (the difference between the \$3,338 of LPC Revenues per the Beneficiary’s documentation and the \$2,210 of LPC Revenues reported).

RECOMMENDATION

The Beneficiary must ensure it has an adequate system to report accurate revenue data for High Cost Program purposes and maintain documentation to demonstrate compliance with the Rules. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC's website at <http://www.usac.org/about/about/program-integrity/findings/common-audit-hc.aspx>.

BENEFICIARY RESPONSE

The Beneficiary and AAD properly identified the difference of 12 billing arrangements that were not charged an Integrated Service Digital Network Primary Rate Interface charge during the period. The Beneficiary agrees that a \$53,254 credit [sic] should be applied against any audit findings found within this audit, or in the absence of any findings, a refund or credit against current funding.

The Beneficiary is now part of the NECA Traffic Sensitive Pool, which amongst other items, provided guidance, procedures and reconciliation services for reporting future amounts. Beneficiary joined NECA in July 2013.

Finding #4: 47 C.F.R. 51.917(e)(1), (2) – Inaccurate Access Recovery Charge Revenues

CONDITION

For High Cost Program purposes, beneficiaries are required to impute and report the maximum ARC charges that it could have assessed, regardless of whether or not it elected to charge its customers an ARC fee.¹⁸ Thus, AAD obtained and examined the Beneficiary's access line count summary reports to determine whether the Beneficiary reported accurate Access Recovery Charge Revenues (ARC Revenues) for High Cost Program purposes. To impute the Beneficiary's ARC Revenues, AAD examined the Beneficiary's line counts and multiplied the maximum ARC rate established by the Rules.¹⁹ Based on the line counts provided per the Beneficiary's line summary report, AAD identified the following differences between the Beneficiary's imputed ARC Revenues and the Beneficiary's reported ARC Revenues:

	Program Year 2012-2013	Program Year 2013-2014
Reported ARC Revenues	\$40,248	\$95,754
Imputed ARC Revenues	\$41,602	\$77,793
Difference: Over/(Under)-Reported	(\$1,354)	\$17,961

Because the Beneficiary's supporting documentation did not agree to what was reported, AAD cannot conclude that the Beneficiary reported accurate ARC Revenues. The Beneficiary must report accurate ARC Revenues for High Cost Program purposes.

¹⁸ 47 C.F.R. § 51.917(f)(2) (2014).

¹⁹ 47 C.F.R. § 51.917(e) (2014).

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report the correct ARC line counts and revenues for High Cost Program purposes. The Beneficiary informed AAD that due to the significant passage of time, the Beneficiary is not able to identify a cause other than minor rounding procedures and human error.²⁰

EFFECT

Support Type	Monetary Effect & Recommended Recovery
CAF ICC	(\$8,314) ²¹

RECOMMENDATION

The Beneficiary must ensure it has an adequate system to report accurate data for High Cost Program purposes and maintain documentation to demonstrate compliance with the rules. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC’s website at <http://www.usac.org/about/about/program-integrity/findings/common-audit-hc.aspx>.

BENEFICIARY RESPONSE

The Beneficiary agrees with the stated conclusion based upon the significant passage of time and monetary effect of the unreconciled amount. The Beneficiary agrees that a \$8,314 credit should be applied against any audit findings found within this audit, or in the absence of any findings, a refund or credit against current funding.

The Beneficiary is now part of the NECA Traffic Sensitive Pool, which amongst other items, provided guidance, procedures and reconciliation services for reporting future amounts. Beneficiary joined NECA in July 2013.

Finding #5: 47 C.F.R. § 51.917(d)(1)(v) – Inaccurate Intrastate Terminating Switched Access Service Revenues

CONDITION

AAD obtained and examined the Beneficiary’s billing reports and general ledger to determine whether the Beneficiary reported accurate Intrastate Terminating Switched Access Service Revenues (Intrastate Revenues)

²⁰ Beneficiary responses to the Audit Inquiries Record dated May 4, 2018.

²¹ The CAF ICC program year provides for the disbursement of funds on a July to June basis, with true-up payments disbursed two years after the program year. The true-up payment for the 2012 – 2013 CAF ICC program year was disbursed from July 2014 to June 2015 (based on data submitted in June 2014) and the true-up payment for the 2013 – 2014 CAF ICC program year was disbursed from July 2015 to July 2016 (based on data submitted in June 2015). The audit period includes an examination of disbursements paid in 2015; therefore the monetary effect for this Finding accounts for the last six months of the true-up payment that occurred from January to June 2015 that corresponds to the 2012– 2013 program year and the first six months of the true-up payment that occurred from July to December 2015 corresponds to the 2013 – 2014 program year.

for High Cost Program purposes²². The total Intrastate Revenues that were identified on the Beneficiary’s billing reports and general ledger did not agree to what the Beneficiary reported. Further, the Beneficiary was not able to reconcile the billing reports to the Intrastate Revenue amounts recorded in its general ledger. The differences are summarized below:

Intrastate Revenues	Program Year 2012-2013	Program Year 2013-2014
As Reported	\$462,587	\$376,109
Per the General Ledger ²³	\$490,264	\$344,832
Per the Billing Report	\$502,688	\$479,320

Because the Beneficiary’s supporting documentation did not agree to what was reported, AAD cannot conclude that the Beneficiary reported accurate actual Intrastate Revenues. The Beneficiary must report accurate Intrastate Revenues for High Cost Program purposes.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, or monitoring data to report the correct and accurate Intrastate Revenues reported for High Cost Purposes. The Beneficiary informed AAD that due to the significant passage of time, the Beneficiary is not able to identify a cause, other than minor rounding procedures and possible human error.²⁴

EFFECT

Support Type	Monetary Effect & Recommended Recovery
CAF ICC	(\$1,810)

The Beneficiary was audited by an independent audit firm, which included a review of the Beneficiary’s general ledger. Because the Beneficiary could not reconcile the Intrastate Revenues from its billing reports or the general ledger to the Intrastate Revenues it reported for High Cost Program Purposes, AAD relied on the amounts recorded in the Beneficiary’s audited general ledger to perform a reconciliation. A comparison of the Intrastate Revenues recorded in the general ledger to the Intrastate Revenues reported for High Cost program purposes resulted in a \$1,810 underpayment of CAF ICC support.

RECOMMENDATION

The Beneficiary must ensure it has an adequate system to report accurate data for High Cost Program purposes and maintain documentation to demonstrate compliance with the Rules. In addition, the Beneficiary can learn more about documentation and reporting requirements on USAC’s website at <http://www.usac.org/about/about/program-integrity/findings/common-audit-hc.aspx>.

BENEFICIARY RESPONSE

The Beneficiary agrees with the stated conclusion based upon the significant passage of time and monetary effect of the unreconciled amount. The Beneficiary is now part of the NECA Traffic Sensitive Pool, which

²² AAD tested the accuracy of actual Intrastate Revenues reported and compared the audited amount against the projected revenues to ensure that the true-up amount paid was accurate.

²³ The general ledger amounts noted here includes intrastate revenues less any unrealized bad debts for the period of July 2012 – June 2013 and July 2013 - June 2014.

²⁴ Beneficiary responses to the Exception Summary received July 10, 2018.

amongst other items, provided guidance, procedures and reconciliation services for reporting future amounts. Beneficiary joined NECA in July 2013.

CRITERIA

Finding	Criteria	Description
#1, 5	47 C.F.R. § 51.917(d)(1)(v) (2014)	If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.
#1,5	47 C.F.R. § 51.917(b)(6) (2014)	<i>True-up Revenues.</i> True-up Revenues from an access service are equal to (projected demand minus actual realized demand for that service) times the default transition rate for that service specified by § 51.909. True-up Revenues from a non-access service are equal to (projected demand minus actual realized net demand for that service) times the default transition rate for that service specified by § 20.11(b) of this chapter or § 51.705. Realized demand is the demand for which payment has been received, or has been made, as appropriate, by the time the true-up is made.
#1, 5	47 C.F.R. § 51.917(d)(1)(iii) (2014)	Beginning July 1, 2014, a Rate-of-Return Carrier's eligible recovery will be equal to the 2011 Rate-of-Return Carrier Base Period Revenue multiplied by the Rate-of-Return Carrier Baseline Adjustment Factor less: <ul style="list-style-type: none"> (A) The Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in § 51.909 (including the reduction in intrastate End Office Switched Access Service rates), adjusted to reflect the True-Up Adjustment for Transitional Intrastate Access Service for the year beginning July 1, 2012; (B) The Expected Revenues from interstate switched access for the year beginning July 1, 2014, reflecting forecasted demand multiplied by the rates in the rate transition contained in § 51.909, adjusted to reflect the True-Up Adjustment for Interstate Switched Access for the year beginning July 1, 2012; and (C) Expected Net Reciprocal Compensation Revenues for the year beginning July 1, 2014 using the target methodology required by § 51.705, adjusted to reflect the True-Up Adjustment for Reciprocal Compensation for the year beginning July 1, 2012. (D) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2012 multiplied by negative one.
#2	47 C.F.R. § 54.903(a)(1) (2014)	(a) To be eligible for Interstate Common Line Support, each rate-of-return carrier shall make the following filings with the Administrator:

Finding	Criteria	Description
		<p>(1) Beginning July 31, 2002, each rate-of-return carrier shall submit to the Administrator in accordance with the schedule in §54.1306 the number of lines it serves, within each rate-of-return carrier study area showing residential and single-line business line counts and multi-line business line counts separately. For purposes of this report, and for purposes of computing support under this subpart, the residential and single-line business class lines reported include lines assessed the residential and single-line business End User Common Line charge pursuant to §69.104 of this chapter, and the multi-line business class lines reported include lines assessed the multi-line business End User Common Line charge pursuant to §69.104 of this chapter. For purposes of this report, and for purposes of computing support under this subpart, lines served using resale of the rate-of-return local exchange carrier's service pursuant to section 251(c)(4) of the Communications Act of 1934, as amended, shall be considered lines served by the rate-of-return carrier only and must be reported accordingly.</p>
#2	47 C.F.R. § 54.903(a)(1) (2013)	<p>(a) To be eligible for Interstate Common Line Support, each rate-of-return carrier shall make the following filings with the Administrator.</p> <p>(1) On April 18, 2002, each rate-of-return carrier shall submit to the Administrator the number of lines it serves as of September 30, 2001, within each rate-of-return carrier study area, by disaggregation zone if disaggregation zones have been established within that study area pursuant to §54.315, showing residential and single-line business line counts and multi-line business line counts separately. For purposes of this report, and for purposes of computing support under this subpart, the residential and single-line business class lines reported include lines assessed the residential and single-line business End User Common Line charge pursuant to §69.104 of this chapter, and the multi-line business class lines reported include lines assessed the multi-line business End User Common Line charge pursuant to §69.104 of this chapter. For purposes of this report, and for purposes of computing support under this subpart, lines served using resale of the rate-of-return local exchange carrier's service pursuant to section 251(c)(4) of the Communications Act of 1934, as amended, shall be considered lines served by the rate-of-return carrier only and must be reported accordingly. Beginning July 31, 2002, each rate-of-return carrier shall submit the information described in this paragraph in accordance with the schedule in §36.611 of this chapter.</p>

Finding	Criteria	Description
#3	47 C.F.R. § 54.903(a)(4) (2014)	<p>(a) To be eligible for Interstate Common Line Support, each rate-of-return carrier shall make the following filings with the Administrator.</p> <p>(4) Each rate-of-return carrier shall submit to the Administrator on December 31st of each year the data necessary to calculate a carrier's Interstate Common Line Support, including common line cost and revenue data, for the prior calendar year. Such data shall be used by the Administrator to make adjustments to monthly per-line Interstate Common Line Support amounts in the final two quarters of the following calendar year to the extent of any differences between the carrier's ICLS received based on projected common line cost and revenue data and the ICLS for which the carrier is ultimately eligible based on its actual common line cost and revenue data during the relevant period.</p>
#4	47 C.F.R. § 51.917(f)(2) (2014)	<p>(2) Beginning July 1, 2012, a Rate-of-Return Carrier may recover any eligible recovery allowed by paragraph (d) of this section that it could not have recovered through charges assessed pursuant to paragraph (e) of this section from CAF ICC Support pursuant to § 54.304. For this purpose, the Rate-of-Return Carrier must impute the maximum charges it could have assessed under paragraph (e) of this section.</p>
#4	47 C.F.R. § 51.917(e)(1), (2) (2014)	<p>(e) Access Recovery Charge.</p> <p>(1) A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may be assessed a subscriber line charge pursuant to § 69.104 of this chapter, to the extent necessary to allow the Rate-of-Return Carrier to recover some or all of its Eligible Recovery determined pursuant to paragraph (d) of this section, subject to the caps described in paragraph (e)(6) of this section. A Rate-of-Return Carrier may elect to forgo charging some or all of the Access Recovery Charge.</p> <p>(2) Total Access Recovery Charges calculated by multiplying the tariffed Access Recovery Charge by the projected demand for the year may not recover more than the amount of eligible recovery calculated pursuant to paragraph (d) of this section for the year beginning on July 1.</p>

Summary of Low Income Support Mechanism Beneficiary Audit Report Released: April 10, 2019

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Virgin Mobile USA, LP (IL) Attachment A	2	<ul style="list-style-type: none"> No significant findings. 	\$513,468	\$342	\$342	Y
Total	2		\$513,468	\$342	\$342	



Virgin Mobile USA, LP (IL)

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2017BE030

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EXECUTIVE SUMMARY

March 13, 2019

Mr. Andrew Lancaster
Virgin Mobile USA, LP
6391 Sprint Pkwy
Overland Park, KS 66251-2400

Dear Mr. Lancaster:

DP George & Company, LLC (DPG) audited the compliance of Virgin Mobile USA, LP (Beneficiary), study area code 349033, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

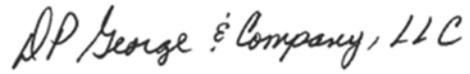
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed two detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

A handwritten signature in cursive script that reads "DP George & Company, LLC".

DP George & Company, LLC
Alexandria, Virginia

cc: Teleshia Delmar, USAC Vice President, Audit and Assurance Division
Radha Sekar, USAC Chief Executive Officer
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.410(d) – Improper Certification Documentation Disclosures. The Beneficiary’s subscriber certification documentation omitted required disclosures.	\$342	\$342
Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance. The number of subscribers listed as active in NLAD is greater than the number of subscribers claimed on the audit period Form 497.	\$0	\$0
Total Net Monetary Effect	\$342	\$342

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for April 2017 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	55,510	\$513,468

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in Illinois.

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary’s Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary’s data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary’s enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also

obtained and examined certification and/or recertification documentation for 55 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 55 subscribers.

E. Independent Economic Households

DPG obtained and examined documentation to determine whether applicable subscribers satisfied the Independent Economic Household requirements.

F. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

G. Non-Usage Process

DPG obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.410(d) – Improper Certification Documentation Disclosures

CONDITION

DPG examined certification documentation for a sample of 55 subscribers to determine whether the documentation contained all of the required disclosures. We determined that the documentation provided for 37 certifications did not clearly present all of the required disclosures found in 47 C.F.R. § 54.410(d) to the subscribers.

We noted that the certification documentation reviewed consisted of two types of documentation, a Mobile Application Form and a Paper Form. For the 37 Mobile Application Forms provided, there was no section contained in the documentation that presented the disclosures required in 47 C.F.R. § 54.410(d)(1). These disclosures are presented in the Paper Form by the following statement:

“IMPORTANT INFORMATION ABOUT THE LIFELINE PROGRAM: Assurance Wireless is a Lifeline supported service. Lifeline is a federal benefit, and only eligible subscribers may enroll. Customers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be de-enrolled or barred from the program. One Lifeline discounted service (landline or wireless) is available per household. A household is one or more individuals who live together at the same address and share income and expenses. A household is not permitted to receive Lifeline benefits from multiple providers. Violation of the one-per-household rule constitutes a violation of federal rules and will result in de-enrollment from the Lifeline program and potential prosecution by the United States government. Lifeline is a non-transferable benefit. Service cannot be transferred to any individual, including another eligible, low income consumer.”

DPG has summarized the missing disclosures related to the Mobile Application Form in the table below:

Disclosure	Number of Affected Subscribers Certification Documentation
<i>Portion of disclosure omitted:</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.” (47 C.F.R. § 54.410(d)(1)(i))	37
<i>Portion of disclosure omitted:</i> “Only one Lifeline service is available per household.” (47 C.F.R. § 54.410(d)(1)(ii))	37
<i>Portion of disclosure omitted:</i> “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.” (47 C.F.R. § 54.410(d)(1)(iii))	37
<i>Portion of disclosure omitted:</i> “A household is not permitted to receive Lifeline benefits from multiple providers.” (47 C.F.R. § 54.410(d)(1)(iv))	37
<i>Portion of disclosure omitted:</i> “Violation of the one-per-household limitation constitutes a violation of the Commission’s rules and will result in the subscribers de-enrollment from the program.” (47 C.F.R. § 54.410(d)(1)(v))	37
<i>Portion of disclosure omitted:</i> “Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person.” (47 C.F.R. § 54.410(d)(1)(vi))	37
Total	37

The Beneficiary must list all of the required disclosures on the subscriber certification documentation. Because the documentation provided did not contain the required language, the subscribers did not receive the required disclosures. Therefore, DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing compliance with the required disclosures.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$342	\$342

DPG calculated the monetary effect by multiplying the number of affected subscribers tested (37) by the support amount requested on the April 2017 Form 497 (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the disclosure requirements established by the Rules and provide the proper certification disclosures to its subscribers, as required by the Rules.

BENEFICIARY RESPONSE

Virgin Mobile agrees in part and disagrees in part with this finding.

Virgin Mobile agrees that the definition of a household (47 C.F.R. § 54.410(d)(1)) was not present on the provided Mobile Application pdfs. While potential subscribers must attest to the one per household rules, they do so via a printable tearpad that is not kept with the pdf but instead given to the subscriber.

Virgin Mobile disagrees with the statement that the subscribers did not receive the required disclosures. As stated above, the required disclosures were provided via a printable tearpad that is not kept with the pdf but instead given to the subscriber.

The process was updated in 2017. Additionally, the lifeline universal forms requirement that went into effect in mid-2018 eliminates this issue.

DPG RESPONSE

The rules at 47 C.F.R. § 54.410(d) make a clear distinction between information that is required to be disclosed to the subscriber as part of 47 C.F.R. § 54.410(d)(1) and the certifications that must be obtained from the subscriber under 47 C.F.R. § 54.410(d)(3). DPG reviewed the language in the attestation tearpad provided by the Beneficiary during the audit and did not observe the elements of the 47 C.F.R. § 54.410(d)(1) language identified in the table above. The tearpad language did include the required certification language contained in 47 C.F.R. § 54.410(d)(3). For this reason, DPG's position on this finding remains unchanged.

Finding #2: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance**CONDITION**

DPG compared the Beneficiary's subscriber data in the National Lifeline Accountability Database (NLAD) to the audit period subscriber listing to identify subscribers reflected in NLAD and not claimed on the April 2017 Form 497. DPG identified 53 subscribers who were listed in NLAD but could not be found on the April 2017 subscriber listing. These subscribers were also not identified by the Beneficiary as subject to an internal Lifeline Holding plan as of the audit period. For subscribers placed in a Lifeline Holding plan, a specific reason is identified by the Beneficiary for excluding the subscriber from the Form 497 claim but not de-enrolling the subscriber. The Beneficiary is required to submit subscriber de-enrollment information to NLAD within one business day of service de-enrollment.

The above procedure was performed using the base subscriber listing for April 2017 that reflected 56,643 subscribers. DPG noted that the count of 55,510 subscribers claimed on the Form 497 was lower than the base subscriber listing count by two percent. The Beneficiary indicated that it applied a holdback of two percent as a proactive measure to adjust for subscribers who may subsequently be identified as ineligible for the data month submitted.

Section 54.407(a) indicates that Lifeline support is provided based on "the number of actual qualifying low income consumers,...[the Beneficiary] serves directly as of the first day of the month." The Form 497 submission also requires the Beneficiary to certify that the data being submitted is accurate and complete. The application of a holdback percentage to determine the number of Lifeline subscribers claimed on the Form 497 reports an estimated count of qualifying low income consumers and not the actual count required by the rules.

CAUSE

The Beneficiary did not have an adequate system in place for determining subscribers subject to de-enrollment in NLAD. The Beneficiary applied a voluntary two percent holdback when preparing its Form 497 to adjust for possible ineligible subscribers not identified by its procedures as of the Form 497 data month.

EFFECT

There is no monetary effect for the 53 subscribers because these subscribers were not claimed on the Form 497. However, not de-enrolling customers in NLAD within the required timeframe creates the potential for subscribers to be flagged for duplicate resolution unnecessarily.

Additionally, there is no monetary effect for withholding two percent of subscribers from the Form 497 claim. However, the number of subscribers claimed on the audit period Form 497 becomes an estimated representation and not an actual representation of the number of qualifying low income subscribers served as of the first day of the month. The lack of an actual qualifying low income subscriber count makes it impossible to determine specific subscribers who should be removed in NLAD in conjunction with the holdback. The application of the holdback also negates the established Form 497 revision process of accounting and adjusting for subscribers identified as ineligible after the initial Form 497 submission. Without an accounting for subsequent ineligible subscribers, it cannot be determined whether the original holdback estimate was sufficient to cover ineligible subscribers identified either internally by the Beneficiary and/or externally as a result of the audit or Payment Quality Assurance (PQA) process.

RECOMMENDATION

DPG recommends that the Beneficiary implement adequate procedures to verify it has de-enrolled subscribers in NLAD whom the Beneficiary is not permitted to claim for Lifeline support. DPG also recommends that the Beneficiary establish adequate procedures that allow it to report the actual number of qualifying low income subscribers served as of the first day of the month on the Form 497.

BENEFICIARY RESPONSE

In calendar year 2017, subsidy was not based on subscribers in NLAD, but rather based on internal carrier subscriber counts. USAC later provided guidance that beginning with the August 2017 data month, FCC Forms 497 will not be processed if the number of subscribers claimed for reimbursement is higher than the NLAD snapshot. Virgin Mobile was in compliance with this guidance.

While Virgin Mobile agrees that NLAD and internal company records should be reconciled and subscribers in NLAD who do not qualify for lifeline support should be de-enrolled, this has no impact on a Form 497 claim.

Additionally, there could be timing issues that need to be taken into account when comparing NLAD and internal company records.

Finally, the rollout of the Lifeline Claim System in 2018 addresses this issue.

DPG RESPONSE

DPG recognizes that the voluntary holdback applied by the Beneficiary results in a lower number of subscribers claimed on the Form 497 than identified by the Beneficiary's internal records. However, as indicated in the third paragraph of the Condition, 47 C.F.R. § 54.407(a) indicates that Lifeline support is provided based on "the number of actual qualifying low income consumers,...[the Beneficiary] serves directly as of the first day of the month." We maintain that the application of a holdback percentage when filing the Form 497 results in a Form 497 filing that does not represent the actual number of qualifying subscribers.

DPG requested and received explanations from the Beneficiary for instances where subscribers were listed in NLAD but not on the subscriber listing as a result of being placed under a Lifeline Holding plan. We considered these instances to be valid explanations. For the 53 subscribers identified by the finding, we did not receive an explanation for why the subscribers were listed in NLAD and not on the subscriber listing. As a result, we included them as part of the Condition for the finding.

For these reasons, DPG's position on this finding remains unchanged.

CRITERIA

	Criteria	Description
#1, #2	47 C.F.R. § 54.407(a) (2016)	“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 directly as of the first day of the month.”
#1	47 C.F.R. § 54.410(d)(1) (2016)	<p>“(d) <i>Eligibility certification form.</i> 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 provide information in paragraphs (d)(1) through (3) of this section in clear, easily understood language....</p> <p>(1) The form provided by the entity enrolling subscribers must provide the information in paragraphs (d)(1)(i) through (vi) of this section:</p> <ul style="list-style-type: none"> (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 subscribers 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	47 C.F.R. § 54.404(b)(6), (8), (10) (2016)	<p>“(b) <i>The National Lifeline Accountability Database.</i> In order to receive Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements: ...</p> <p>(6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber’s full name; full residential address; date of birth and the last four digits of the subscriber’s Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline....</p> <p>(8) All eligible telecommunications carriers must update an existing Lifeline subscriber’s information in the Database within ten</p>

	Criteria	Description
		<p>business days of receiving any change to that information, except as described in paragraph (b)(10) of this section....</p> <p>(10) When an eligible telecommunications carrier de-enrolls a subscriber, it must transmit to the Database the date of Lifeline service de-enrollment within one business day of de-enrollment.”</p>
#2	47 C.F.R. § 54.417(a) (2016)	<p>“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. Eligible telecommunications carriers must maintain the documentation required in [47 C.F.R.] §§ 54.404 (b)(11), 54.410(b), 54.410 (c), 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years.”</p>
#2	Lifeline Worksheet, FCC Form 497, OMB Control No. 3060-0819, Line 19 (July 2016)	<p>“Based on the information known to me or provided to me by employees responsible for the preparation of the data being submitted, I certify under penalty of perjury that the data contained in this form has been examined and reviewed and is true, accurate, and complete.”</p>

Summary of Low Income Support Mechanism Beneficiary Audit Report Released: May 1, 2019

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
TracFone Wireless, Inc. (NY) Attachment B	4	<ul style="list-style-type: none"> • <u>Subscribers Outside of Service Area.</u> The Beneficiary claimed subscribers on its FCC Form 497 who reside outside the service area designated by the Federal Communications Commission. 	\$3,258,026	\$3,302	\$3,302	Y
Total	4		\$3,258,026	\$3,302	\$3,302	



TracFone Wireless, Inc. (NY)

Limited Scope Audit on Compliance with the Federal Universal Service Fund
Lifeline Support Mechanism Rules
USAC Audit No. LI2017BE021

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EXECUTIVE SUMMARY

April 25, 2019

Ms. Janet B. Morejon
TracFone Wireless, Inc.
9700 Northwest 112th Avenue
Miami, FL 33178-1353

Dear Ms. Morejon,

DP George & Company, LLC (DPG) audited the compliance of TracFone Wireless, Inc. (Beneficiary), study area code 159016, using regulations and orders governing the federal Universal Service Low Income Support Mechanism (also known as the Lifeline Program), set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules). Compliance with the Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the Rules based on our limited scope audit.

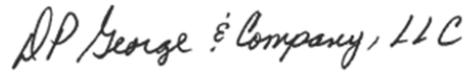
DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the data used to calculate support, as well as performing other procedures we considered necessary to form a conclusion. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed four detailed audit findings (Findings) discussed in the Audit Results and Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by your staff during the audit.

Sincerely,

A handwritten signature in cursive script that reads "DP George & Company, LLC".

DP George & Company, LLC
Alexandria, Virginia

cc: Teleshia Delmar, USAC Vice President, Audit and Assurance Division
Radha Sekar, USAC Chief Executive Officer
Michelle Garber, USAC Vice President, Lifeline Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.201(b) – Subscribers Outside of Service Area. The Beneficiary claimed subscribers on its Form 497 who reside outside the service area designated by the Federal Communications Commission.	\$3,108	\$3,108
Finding #2: 47 C.F.R. § 54.410(d) – Improper Recertification Documentation Disclosures. The Beneficiary’s subscriber recertification documentation omitted required disclosures.	\$194	\$194
Finding #3: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance. The number of subscribers listed as active in NLAD is greater than the number of subscribers claimed on the audit period Form 497.	\$0	\$0
Finding #4: 47 C.F.R. § 54.416(b) – Inaccurate Form 555 Reporting. The results reported on the January Form 555 were not supported by the Beneficiary’s detailed recertification results.	\$0	\$0
Total Net Monetary Effect	\$3,302	\$3,302

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Lifeline Program support amount noted in the chart above. USAC management will issue a separate memorandum to the Beneficiary to address the audit results.

PURPOSE, SCOPE AND PROCEDURES

PURPOSE

The purpose of our audit was to determine whether the Beneficiary complied with the Rules.

SCOPE

The following chart summarizes the Lifeline Program support the Beneficiary received based on its FCC Form 497 (Form 497) for February 2017 (the audit period):

Support Type	Number of Subscribers	Amount of Support
Lifeline	352,219	\$3,258,026

Note: The amount of support reflects disbursements as of the commencement of the audit.

BACKGROUND

The Beneficiary is a competitive eligible telecommunications carrier (ETC) that operates in New York.

PROCEDURES

DPG performed the following procedures:

A. Form 497

DPG obtained and examined the Beneficiary's Form 497 for accuracy by comparing the amounts reported against the National Lifeline Accountability Database (NLAD) and the Beneficiary's data files.

B. Certification and Recertification Process

DPG obtained an understanding of the Beneficiary's enrollment, certification, and recertification processes relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also obtained and examined certification and/or recertification documentation for 55 subscribers to determine whether the subscribers were eligible to receive Lifeline Program discounts.

C. Subscriber Listing

DPG obtained and examined the Beneficiary's subscriber listing and used computer assisted auditing techniques to analyze the data files to determine whether:

- The total number of subscribers agreed to what was reported on the Form 497 and in NLAD.
- The data file contained subscribers who resided outside of the Beneficiary's ETC-designated service area.
- The data file contained duplicate subscribers.
- The data file contained blank telephone numbers/addresses or business names/addresses.
- Lifeline Program support was provided to subscribers whose lines were activated after the audit period.
- Lifeline Program support was provided to subscribers whose lines were disconnected prior to the audit period.

D. Lifeline Subscriber Discounts

DPG obtained and examined documentation to demonstrate the pass through of Lifeline Program support for 55 subscribers.

E. Independent Economic Households

DPG obtained and examined documentation to determine whether applicable subscribers satisfied the Independent Economic Household requirements.

F. Form 555

DPG obtained and examined the Beneficiary's FCC Form 555 (Form 555) for accuracy by comparing the amounts reported against the Beneficiary's data files.

G. Non-Usage Process

DPG obtained an understanding of the Beneficiary's non-usage process relating to the Lifeline Program to determine whether the Beneficiary complied with the Rules. DPG also examined documentation to determine whether the Beneficiary properly validated its low-income subscribers' continued use of the Lifeline-supported service.

Finding #1: 47 C.F.R. § 54.201(b) – Subscribers Outside of Service Area

CONDITION

DPG examined the Beneficiary’s subscriber listing used to support the number of Lifeline subscribers claimed on the Form 497 to determine whether the Beneficiary provided services to subscribers who resided in the areas where it was designated as an ETC. In the order designating the Beneficiary as an ETC, the Federal Communications Commission (FCC) indicated that, “[i]n designating TracFone as a limited ETC, we clarify that TracFone’s designated service areas do not encompass federally-recognized tribally-owned lands.”¹ DPG noted that the Beneficiary claimed 336 subscribers on the Form 497 who reside on federally recognized tribally-owned lands outside of the Beneficiary’s designated service area.

CAUSE

The Beneficiary did not have an adequate process in place to ensure it claimed support for eligible subscribers who reside within its designated service area.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$3,108	\$3,108

DPG calculated the monetary effect by multiplying the number of Lifeline subscribers affected (336) by the support amount requested on the February 2017 Form 497 for Non-Tribal Lifeline Subscribers (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the Rules and only seeks support for eligible subscribers within its ETC designated service area in accordance with the Rules.

BENEFICIARY RESPONSE

The enrollments occurred in zip codes, which are partially tribal and partially non-tribal. Our internal geolocation tool may have inaccurately identified some of zip codes as non-tribal when the customers residential address was actually located on tribal lands.

¹ *Federal-State Joint Board on Universal Service, TracFone Wireless, Inc. et al.*, CC Docket No. 96-45, Order, 23 FCC Rcd 6206, 6213, para. 17 (2008).

Finding #2: 47 C.F.R. §§ 54.410(d) & 54.410(f)(2)(iii) – Improper Recertification Documentation Disclosures

CONDITION

DPG examined certification documentation for a sample of 26 subscribers and recertification documentation for a sample of 29 subscribers to determine whether the documentation contained all of the required disclosures. We noted that subscribers could complete the recertification process either by phone, by mail, or online and could also be recertified by the Beneficiary directly through the NY state database. Of the 29 recertification samples we selected, 14 were received by mail, 2 were received by phone, 5 were completed online, and 8 were performed using the NY state database. DPG noted that the standard mailer did not request the subscriber’s date of birth or last four digits of the subscriber’s social security number (SSN), and did not present the 47 C.F.R. § 54.410(d)(1)(i) disclosure language that "willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program." One phone respondent was also not presented with this disclosure. The second phone respondent was not presented with the disclosure found at 47 C.F.R. § 54.410(d)(3)(viii). DPG noted three disclosures identified in 47 C.F.R. § 54.410(d)(2) and (3) that were not presented in the mailer and were also not presented to the five subscribers responding online. DPG has summarized all of the missing disclosures in the table below:

Disclosure	Number of Affected Subscribers Recertification Documentation
<i>Portion of disclosure omitted: "willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program."(47 C.F.R. § 54.410(d)(1)(i))</i>	15
<i>Portion of disclosure omitted: "The subscriber’s date of birth."(47 C.F.R. § 54.410(d)(2)(v))</i>	14
<i>Portion of disclosure omitted: "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."(47 C.F.R. § 54.410(d)(2)(vi))</i>	14
<i>Portion of disclosure omitted: "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." (47 C.F.R. § 54.410(d)(2)(vii))</i>	19
<i>Portion of disclosure omitted: "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." (47 C.F.R. § 54.410(d)(2)(viii))</i>	19
<i>Portion of disclosure omitted: "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." (47 C.F.R. § 54.410(d)(3)(v))</i> The Beneficiary’s mailer uses the wording "My household receives no other Lifeline support service."	19

<i>Portion of disclosure omitted: "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 [47 C.F.R.] § 54.405(e)(4)." (47 C.F.R. § 54.410(d)(3)(viii))</i>	1
Total	21

The Beneficiary must list all of the required disclosures on the subscriber recertification documentation. Because the recertification documentation did not contain the required language, the subscribers did not receive the required disclosures. Therefore, DPG cannot conclude that these subscribers were eligible to receive Lifeline Program support.

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the Rules governing compliance with the required disclosures. The Beneficiary indicated that date of birth and the last four digits of the subscriber’s SSN were purposely left off of the mailer in order to protect private information and that various states have contacted the Beneficiary to request that it not display private information on mailers.

EFFECT

Support Type	Monetary Effect	Recommended Recovery
Lifeline	\$194	\$194

DPG calculated the monetary effect by multiplying the number of affected subscribers affected (21) by the support amount requested on the February 2017 Form 497 for Non-Tribal Lifeline Subscribers (\$9.25) and rounded to the nearest whole dollar.

RECOMMENDATION

DPG recommends that USAC management seek recovery of the amount identified in the Effect section above. We further recommend that the Beneficiary implement policies and procedures to ensure that it adheres to the disclosure requirements established by the Rules and provide the proper certification disclosures to its subscribers, as required by the Rules.

BENEFICIARY RESPONSE

47 CFR 54.410(d) sets forth substantive requirements for Lifeline certification forms, but does not incorporate specific language which must be used. The rule states the forms must “provide the following information,” (47 CFR 54.410(d)(1)) in “clear, easily understood language” (47 CFR 54.410(d)). The phrase “clear, easily understood language” implies the ETC has some leeway in the exact wording used. With respect to the Social Security Number and Date of Birth, the customer has already provided both as part of the application process, and neither of those items can change.

DPG RESPONSE

DPG noted that the required disclosure at 47 C.F.R. § 54.410(d)(1)(i) was presented fully to subscribers who recertified via the on-line process. For subscribers recertifying via mail or phone, the mailer sent to the subscriber contained the following language:

“SafeLink is a Lifeline-supported service, a federal benefit. Lifeline is available for only one line per household (any individual or group of individuals who live together at the same address and share income and expenses). A household is not permitted to receive Lifeline benefits from multiple providers. Violation of this FCC rule will result in the Customer’s disenrollment from Lifeline. Lifeline is a nontransferable benefit, and you may not transfer your benefits to another person.”

DPG did not find the disclosure—“willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program—as part of this language. For this reason, DPG’s position regarding the 47 C.F.R. § 54.410(d)(1)(i) disclosure remains unchanged.

The requirements presented at 47 C.F.R. § 54.410(d)(2)(v) and (vi) apply to both the certification and recertification process and require the Beneficiary to obtain both date of birth and the last four digits of the subscriber’s SSN or the subscriber’s Tribal identification number as part of the recertification process. For this reason, DPG’s position regarding the 47 C.F.R. § 54.410(d)(2)(v) and (vi) disclosures remains unchanged.

Finding #3: 47 C.F.R. § 54.404(b) – NLAD and Form 497 Variance

CONDITION

DPG compared the Beneficiary’s subscriber data in the National Lifeline Accountability Database (NLAD) to the audit period subscriber listing to identify subscribers reflected in NLAD and not claimed on the February 2017 Form 497. DPG identified 45,813 subscribers in NLAD not claimed on the February 2017 Form 497. From these subscribers, DPG identified 9,748 customers who were previously scheduled for de-enrollment by the Beneficiary but were listed in NLAD as of the audit period. DPG also identified 3,310 subscribers who were previously listed as de-enrolled for non-usage. DPG selected a sample of 20 subscribers from these populations and requested an explanation and related support clarifying why the subscribers had not been removed from NLAD. The Beneficiary was not able to provide support indicating the subscribers were re-enrolled or an explanation for why the subscribers remained in the NLAD database for 11 of the 20 subscribers selected. Based on the continued inclusion of the subscribers in NLAD, DPG determined that the subscribers were not de-enrolled properly in NLAD. The Beneficiary is required to submit subscriber de-enrollment information to NLAD within one business day of de-enrollment.

When performing the procedure above, DPG further noted that the Beneficiary applied a holdback percentage when submitting its Form 497 claim. The above procedure was performed using the base subscriber listing for February 2017 that reflected 357,352 subscribers. The Beneficiary claimed 352,219 subscribers on the February 2017 Form 497. Applying the holdback percentage resulted in an additional 5,133 subscribers who were recorded in NLAD but were not claimed on the audit period Form 497.

Section 54.407(a) says that Lifeline support is provided based on “the number of actual qualifying low income consumers it [the Beneficiary] serves directly as of the first day of the month.” The Form 497 submission also requires the Beneficiary to certify that the data being submitted is accurate and complete. The application of a holdback percentage to determine the number of Lifeline subscribers claimed on the Form 497 reports an estimated count of qualifying low income consumers and not the actual count required by the rules.

CAUSE

The Beneficiary did not have an adequate system in place for determining subscribers subject to de-enrollment in NLAD. The Beneficiary applied a voluntarily holdback percentage when preparing its Form 497 to adjust for possible ineligible subscribers not identified by its procedures as of the Form 497 month.

EFFECT

There is no monetary effect for the subscribers not de-enrolled in NLAD because these subscribers were not claimed on the Form 497. However, not de-enrolling customers in NLAD within the required timeframe creates the potential for subscribers to be flagged for duplicate resolution unnecessarily.

Additionally, there is no monetary effect for applying a holdback percentage to the Form 497 claim. However, the number of subscribers claimed on the audit period Form 497 becomes an estimated representation and not an actual representation of the number of qualifying low income subscribers served as of the first day of the month. The lack of an actual qualifying low income subscriber count makes it impossible to determine specific subscribers who should be removed in NLAD in conjunction with the holdback. The application of the holdback also diminishes the value of the established Form 497 revision process of accounting and adjusting for subscribers identified as ineligible after the initial Form 497 submission.

RECOMMENDATION

DPG recommends that the Beneficiary implement adequate procedures to verify it has de-enrolled subscribers in NLAD whom the Beneficiary is not permitted to claim for Lifeline support. DPG also recommends that the Beneficiary establish adequate procedures that allow it to report the actual number of qualifying low income subscribers served as of the first day of the month on the Form 497.

BENEFICIARY RESPONSE

The holdback was adopted at the suggestion of the FCC Enforcement Bureau to avoid possible over claims. The rule does not prohibit TracFone from adjusting its claims during the allowable period.

DPG RESPONSE

The third paragraph of the Condition refers to 47 C.F.R. § 54.407(a) which indicates that Lifeline support is provided based on “the number of actual qualifying low income consumers, it [the Beneficiary] serves directly as of the first day of the month.” We maintain that the application of a holdback percentage when filing the Form 497 results in a filing that does not represent the actual number of qualifying subscribers.

Finding #4: 47 C.F.R. § 54.416(b) – Inaccurate Form 555 Reporting

CONDITION

DPG examined the Beneficiary’s detailed recertification results to determine whether the Beneficiary could substantiate the number of subscribers reported on the Form 555 due in January 2017. DPG identified differences in the following required data fields:

	Block A	Block C	Block D
	Number of subscribers claimed on February FCC Form 497 of current Form 555 calendar year	Number of subscribers claimed on the February FCC Form 497 that were <u>initially</u> enrolled in the current Form 555 calendar year	Number of subscribers de-enrolled prior to recertification attempt by either the ETC, a state administrator, access to an eligibility database, or by USAC
Form 555	385,241	28,532	137,620
Recertification Results	385,134	28,522	136,222
Difference	107	10	1,398

	Block E	Block F	Block G
	Number of subscribers ETC is responsible for recertifying for current Form 555 calendar year	Number of subscribers ETC contacted directly to recertify eligibility through attestation	Number of subscribers responding to ETC contact
Form 555	219,089	156,414	156,236
Recertification Results	220,390	157,410	157,232
Difference	(1,301)	(996)	(996)

	Block K	Block L	Block M
	Number of subscribers whose eligibility was reviewed by state administrator, ETC access to eligibility database, or by USAC	Number of subscribers de-enrolled or scheduled to be de-enrolled as a result of non-response or response of finding of ineligibility by state administrator, ETC access to eligibility database, or USAC	Number of subscribers that the ETC attempted to recertify directly or through a state administrator, ETC access to a state database, or by USAC
Form 555	62,675	7,972	219,089
Recertification Results	62,980	7,969	220,390
Difference	(305)	3	(1,301)

	Block N
	Number of subscribers de-enrolled or scheduled to be de-enrolled as a result of non-response or ineligibility
Form 555	8,150
Recertification Results	8,147
Difference	3

DPG also selected a sample of 10 subscribers reflected as de-enrolled or scheduled to be de-enrolled in the detailed recertification results but who appeared on the February 2017 subscriber listing as active. We requested the most recent certification form supporting enrollment in the audit period. For five of the subscribers, the Beneficiary provided a copy of a valid 2016 recertification form which was not consistent with the identification of the subscriber as de-enrolled in the detailed recertification results.

The Beneficiary must report the correct number of subscribers on the Form 555 and retain adequate documentation to support the number of subscribers reported.

CAUSE

The Beneficiary did not have an adequate system in place for collecting, reporting, and monitoring data to report the correct number of subscribers on the Form 555.

EFFECT

DPG is unable to calculate the monetary effect, as it does not correspond to a specific amount claimed for reimbursement on the Form 497. However, because an adequate system was not in place for collecting, reporting, and monitoring data, there is a risk that the Beneficiary may not have de-enrolled all of the subscribers it was required to de-enroll and continued to claim these subscribers for reimbursement on subsequent Forms 497.

RECOMMENDATION

DPG recommends that the Beneficiary implement an adequate system to report the correct number of subscribers on the Form 555 and maintain documentation to demonstrate compliance with the Rules.

BENEFICIARY RESPONSE

TracFone provided DPG the revised customer detail for the NY FCC FORM 555 that it was waiting to file with USAC. TracFone had been advised in the past not to revise forms to USAC once SACs have been selected for audit. The differences identified above by DPG are for the same counts TracFone was awaiting to file with USAC.

CRITERIA

	Criteria	Description
#1	47 C.F.R. § 54.201(b) (2016)	“A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission.”
#1	47 C.F.R. § 54.407(b) (2016)	“For each qualifying low-income consumer receiving Lifeline service, the reimbursement amount shall equal the federal support amount, including the support amounts described in [47 C.F.R.] § 54.403(a) and (c).”
#1	<i>Federal-State Joint Board on Universal Service, TracFone Wireless, Inc. et al.</i> , CC Docket No. 96-45, Order, 23 FCC Rcd 6206, 6213, para. 17, (2008)	“Based on the foregoing, we hereby designate TracFone as a limited ETC, eligible only for Lifeline support, in its licensed service areas in New York, Virginia, Connecticut, Massachusetts, Alabama, North Carolina, Tennessee, Delaware, New Hampshire, Pennsylvania, and the District of Columbia. In designating TracFone as a limited ETC, we clarify that TracFone’s designated service areas do not encompass federally-recognized tribally-owned lands.”
#2, #3	47 C.F.R. § 54.407(a) (2016)	“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 directly as of the first day of the month.”
#2	47 C.F.R. § 54.410(d) (2016)	<p>“(d) <i>Eligibility certification form.</i> 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 provide the information in paragraphs (d)(1) through (3) of this section in clear, easily understood language....</p> <p>(1) The form provided by the entity enrolling subscribers must provide the information in paragraphs (d)(1)(i) through (vi) of this section:</p> <p>(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;....</p> <p>(2) The form provided by the entity enrolling subscribers must require each prospective subscriber to provide the information in paragraphs (d)(2)(i) through (viii) of this section:...</p> <p>(v) The subscriber’s date of birth;</p> <p>(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;</p> <p>(vii) If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in [47 C.F.R.] § 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</p> <p>(viii) If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in [47 C.F.R.] § 54.409, the</p>

	Criteria	Description
		<p>number of individuals in his or her household.</p> <p>(3) The form provided by the entity enrolling subscribers shall require each prospective subscriber to initial his or her acknowledgement of each of the certifications in paragraphs (d)(3)(i) through (viii) of this section individually and under penalty of perjury:....</p> <p>(v) 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;...</p> <p>(viii) 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 [47 C.F.R.] § 54.405(e)(4).”</p>
#2	47 C.F.R. § 54.410(f)(1), (2)(iii) (2016)	<p><i>“Annual eligibility re-certification process.</i> (1) All eligible telecommunications carriers must re-certify all subscribers 12 months after the subscriber’s service initiation date and every 12 months thereafter, except for subscribers in states where the National Verifier, state Lifeline administrator, or other state agency is responsible for the annual re-certification of subscribers’ Lifeline eligibility.</p> <p>(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:....(iii) If the subscriber’s program-based or income-based eligibility for Lifeline cannot be determined by accessing one or more state databases containing information regarding enrollment in qualifying assistance programs, then the eligible telecommunications carrier may obtain a signed certification from the subscriber on a form that meets the certification requirements in paragraph (d) of this section.”</p>
#3	47 C.F.R. § 54.404(b)(6), (8), (10) (2016)	<p><i>“(b) The National Lifeline Accountability Database.</i> In order to receive Lifeline support, eligible telecommunications carriers operating in states that have not provided the Commission with approved valid certification pursuant to paragraph (a) of this section must comply with the following requirements:....</p> <p>(6) Eligible telecommunications carriers must transmit to the Database in a format prescribed by the Administrator each new and existing Lifeline subscriber’s full name; full residential address; date of birth and the last four digits of the subscriber’s Social Security number or Tribal Identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number; the telephone number associated with the Lifeline service; the date on which the Lifeline service was initiated; the date on which the Lifeline service was terminated, if it has been terminated; the amount of support being sought for that subscriber; and the means through which the subscriber qualified for Lifeline....</p> <p>(8) All eligible telecommunications carriers must update an existing Lifeline subscriber’s information in the Database within ten business days of receiving any change to that information, except as</p>

	Criteria	Description
		<p>described in paragraph (b)(10) of this section....</p> <p>(10) When an eligible telecommunications carrier de-enrolls a subscriber, it must transmit to the Database the date of Lifeline service de-enrollment within one business day of de-enrollment.”</p>
#3	47 C.F.R. § 54.417(a) (2016)	“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. Eligible telecommunications carriers must maintain the documentation required in [47 C.F.R.] §§ 54.404 (b)(11), 54.410(b), 54.410 (c), 54.410(d), and 54.410(f) for as long as the subscriber receives Lifeline service from that eligible telecommunications carrier, but for no less than the three full preceding calendar years.”
#3	Lifeline Worksheet, FCC Form 497, OMB 3060-0819, at 2, line 19 (July 2016)	“Based on the information known to me or provided to me by employees responsible for the preparation of the data being submitted, I certify under penalty of perjury that the data contained in this form has been examined and reviewed and is true, accurate, and complete.”
#4	47 C.F.R. § 54.416(b) (2016)	“All eligible telecommunications carriers must annually provide the results of their re-certification efforts, performed pursuant to [47 C.F.R.] § 54.410(f), to the Commission and the Administrator.”
#4	Annual Lifeline Eligible Telecommunications Carrier Certification Form Instructions, FCC Form 555, OMB 3060-0819, at 2 -5 (Nov. 2014)	<p><u>Block A</u> Report the number of Lifeline subscribers for which the ETC claimed Lifeline support on its February FCC Form 497 for the current Form 555 calendar year....</p> <p><u>Block C</u> Report the number of Lifeline subscribers for which the ETC claimed Lifeline support on its February FCC Form 497 for the current Form 555 calendar year that were <i>initially</i> enrolled in Lifeline in that year....</p> <p><u>Block D</u> Report the number of subscribers who de-enrolled from Lifeline prior to the ETC’s attempt to recertify continued eligibility, either directly, through the use of a third-party administrator (such as USAC), by a state administrator, or by access to a state eligibility database. This number should include all subscribers who de-enrolled for any reason, including those subscribers that discontinued Lifeline service with the ETC on their own initiative and those that the ETC de-enrolled from Lifeline (for example, those de-enrolled for non-usage)....</p> <p><u>Block E</u> Report the number of subscribers the ETC was responsible for recertifying for the current Form 555 calendar year....</p> <p><u>Block F</u> Report the number of Lifeline subscribers the ETC contacted directly to obtain recertification of eligibility....</p> <p><u>Block G</u></p>

	Criteria	Description
		<p>Report the number of Lifeline subscribers that responded to the ETC's request to recertify their eligibility for Lifeline....</p> <p><u>Block K</u> Report the number of consumers for which the ETC relied on a source other than direct contact with the subscriber to confirm continued eligibility....</p> <p><u>Block L</u> Report the number of subscribers that were de-enrolled, or are scheduled to be de-enrolled, as a result of ineligibility found via confirmation through a state database or a Lifeline administrator....</p> <p><u>Block M</u> Enter the number of subscribers that the ETC attempted to recertify directly or through an administrator, access to a database or by USAC by calculating the sum of the numbers entered in Block F and Block K....</p> <p><u>Block N</u> Enter the number of subscribers de-enrolled or scheduled to be de-enrolled as a result of non-response or ineligibility. This number should equal the sum of the numbers entered in Block J and Block L....”</p>