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August 8, 2017

Via Electronic Submission

Charles Tyler
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW, Room 5-A452
Washington, D.C. 20554

Anita Patankar-Stoll
Office of the Managing Director
445 12th Street, SW, Room 1-A636
Washington, D.C. 20554

Re: AT&T Inc. 2015 Lifeline Biennial Audit Final Report
WC Docket No. 11-42

Dear Mr. Tyler and Ms. Patankar-Stoll:

AT&T Inc. ("AT&T") hereby submits its 2015 Lifeline Biennial Audit Final Report. As required, AT&T also submitted its filing to the Universal Service Administrative Company.

Should you have any questions, feel free to contact me.

Sincerely,

/s/ Anisa A. Latif

Anisa A. Latif

Attachment

Cc: Michelle Garber, VP of the Lifeline Program, USAC
Kitea Lewis, USAC

AT&T INC.

Report of Independent Accountants on
Applying Agreed-Upon Procedures

August 4, 2017

Ernst & Young LLP



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Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Managements of AT&T Inc.:

We have performed the procedures enumerated in Attachment A, which were agreed to by AT&T Inc. (AT&T, or the Company), the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) related to AT&T's compliance with the applicable requirements of FCC rules at 47 C.F.R. §§54.101, 54.201, and 54.400-54.417, and related FCC Orders with respect to providing discounts to eligible low-income consumers and seeking reimbursement from the Universal Service Fund (Lifeline Requirements) during the period January 1, 2015 to December 31, 2015. AT&T's management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The procedures performed were those contained in FCC WC Docket No. 11-42, Attachment A – *Biennial Audit Plan, Universal Service Fund – Lifeline Program, General Standard Procedures for Biennial Independent Audits Required Under the Lifeline Reform Order*, sent to AT&T on August 10, 2016 (General Standard Procedures). The procedures and the associated findings are documented in Appendix A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the managements of AT&T, the FCC and USAC, and is not intended to be and should not be used by anyone other than these specified parties. It is not intended to be and should not be used by any other person or entity, who are not identified as specified parties but who may have access to this report as required by law or regulation.

Ernst & Young LLP

August 4, 2017

Attachment A – Results of Agreed-Upon Procedures

Attachment A enumerates the agreed-upon procedures for AT&T Inc.’s (AT&T or the Company) eligible telecommunications carriers (ETCs), the associated results, and any management responses obtained in relation to the exceptions identified.

The procedures shown in italics within this attachment are specifically listed in *Section III – Fieldwork Testing Procedures, Attachment A – Biennial Audit Plan, Universal Service Fund – Lifeline Program, General Standard Procedures for Biennial Independent Audits Required Under the Lifeline Reform Order*, released August 10, 2016 (the GSPs). All references to “GSP Appendix A,” “GSP Appendix B”, “GSP Appendix C”, “GSP Appendix D”, “GSP Appendix E” and “GSP Appendix F” within the procedures refer to Appendix A, Appendix B, Appendix C, Appendix D, Appendix E and Appendix F included with the GSPs.

GSP Paragraph 23 – Sampling

Certain procedures may require testing on a sample basis. To test compliance with certain key risk areas, the auditor must:

- a. Randomly select one month during the audit period. The selected month represents the Form 497 data month.*
- b. Request from USAC a list of the total Form 497 amount claimed by the ETC for each state/territory during the selected month.*
- c. Obtain from the ETC a list of those states or territories in which the state, or a state Lifeline administrator, is responsible for obtaining all the ETC’s subscribers Lifeline certification forms and performs the annual recertification process.*
- d. Remove the states/territories identified in #23c from the list provided in #23b.*
- e. From the list that results from #23d, identify the three states/territories with the largest Form 497 claim.*
- f. From the states/territories identified in #23e, randomly select one state/territory.*
- g. From the list that results from #23d, randomly select two more states/territories.*

Result:

From the year ended December 31, 2015 (the Engagement Period), EY randomly selected the month of August 2015 as the Form 497 data month for testing. We obtained a listing, from the Universal Service Administrative Company (USAC) of FCC Form 497 amounts, by state, claimed by AT&T for the month of August 2015. From this listing, we removed the states provided by AT&T in which the state or state Lifeline administrator is responsible for certification forms and the annual recertification process and identified the three remaining states with the largest FCC Form 497 claims. From the three largest states, EY randomly selected Florida for testing. From the remaining states on the listing, EY randomly selected Missouri and North Carolina for testing. The month and states selected were provided to AT&T prior to their completion of GSP Appendices A, B, C, D and E that are referenced in the results below.

Attachment A – Results of Agreed-Upon Procedures (continued)

Objective I: Carrier Obligation to Offer Lifeline

Procedure I-1

Inquire of management and obtain carrier policies and procedures for offering Lifeline service to qualifying low-income consumers as provided by the carrier in response to Item 4 of Appendix A (Requested Documentation). Examine and compare the carrier policies and procedures, including any management responses, with the Commission's Lifeline rules set forth in Appendix F. Note any discrepancies between the policies and procedures and the Commission's rules.

Result:

Ernst & Young LLP (EY) inquired of management on November 3, 2016 and obtained AT&T's policies and procedures in response to Item 4 of GSP Appendix A for offering Lifeline service to qualifying low-income consumers.

EY inspected the carrier's policies and procedures and compared those policies and procedures to the Federal Communication Commission's (FCC or Commission) Lifeline rules set forth in GSP Appendix F. EY identified no discrepancies between the carrier's policies and procedures, management's responses to inquiries, and the Commission's Lifeline rules.

Procedure I-2

Inspect 10 examples of carrier marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, and application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A, and note if the materials do not include the following:

- i. The service is a Lifeline service, which is a government assistance program;*
- ii. The service is non-transferable;*
- iii. Only eligible subscribers may enroll;*
- iv. Only one Lifeline discount is allowed per household; and*
- v. The ETC's name or any brand names used to market the service.*

If all of the examples do not include this required information, identify and note the specific element(s) that are missing from each example. In the event the ETC does not have 10 different examples of marketing materials, it should submit as many as it uses to advertise the ETC's Lifeline service plans.

Result:

EY obtained and inspected 10 examples of AT&T's marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, application and certification forms), as provided in response to Items 4, 6 and 7 of GSP Appendix A. EY noted the inspected marketing materials contained the information listed as items i. through v. above. No exceptions identified.

Attachment A – Results of Agreed-Upon Procedures (continued)

Procedure I-3

- a. Review the carrier's responses to the background questionnaire regarding the carrier's policies for (1) how subscribers notify the carrier of the subscriber's intent to cancel service or give notification that s/he is no longer eligible to receive Lifeline service and (2) when de-enrollment for such notifications occurs. Verify these policies are designed to (1) allow subscribers to make the notifications required by 47 C.F.R. §§54.410(d)(3)(ii) and (iv) and (2) prevent the carrier from claiming ineligible subscribers on the FCC Form 497 or subscribers who wish to cancel service.*
- b. In addition, call the customer care numbers provided in response to Item 8 of Appendix A, as well as any customer care numbers identified in the marketing materials provided in response to Item 6 of Appendix A, or on the websites provided in response to Item 7 of Appendix A. Document in the report whether (1) each telephone number is operational and (2) if it involves the use of an interactive voice response (IVR) system, that it is possible for an individual to reach a live customer care operator.*

Result:

- a. EY obtained AT&T's responses to the background questionnaire (GSP Appendix B) regarding AT&T's policies for how subscribers notify the carrier of the subscriber's intent to cancel service or gives notification that s/he is no longer eligible to receive Lifeline service and when de-enrollment for such notification occurs. Per inspection of AT&T's responses included in GSP Appendix B, subscribers contact AT&T at one of three regional customer care phone numbers to cancel or de-enroll. AT&T responses included in GSP Appendix B indicated that subscribers are terminated within 5 days after they notify AT&T that they wish to cancel or are no longer eligible for Lifeline service. No exceptions identified.
- b. For the three states selected for testing, EY obtained an AT&T customer care number that was provided in response to Item 8 of GSP Appendix A, as well as, the AT&T website addresses provided in response to Item 7 of GSP Appendix A. EY called the three customer care numbers and noted that all three numbers were operational, used an interactive voice response system and had a live customer care representative available. EY navigated to the three website links provided and noted links to AT&T Lifeline customer care sources that directed subscribers to the appropriate phone number for Lifeline assistance. No exceptions identified.

Attachment A – Results of Agreed-Upon Procedures (continued)

Procedure I-4

Inspect applicable policies and procedures regarding de-enrollment from the program, including when the ETC will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage, and failure to recertify, as further described below.

- a. Inspect the ETC's policy and procedures for de-enrollment where the ETC has information indicating that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under 47 C.F.R. § 54.409, as provided in response to Item 4 of Appendix A, as well as de-enrollment letters provided in response to Item 11 of Appendix A. Note whether the policy and procedures detail the process for communications between the subscriber and ETC regarding de-enrollment, including, but not limited to: (1) notifying subscribers of impending termination of service; (2) allowing subscriber to demonstrate continued eligibility; and (3) termination of service within 30 days for failure to demonstrate eligibility. Identify any areas that are not in compliance with section 54.405(e)(1) of the Commission's rules.*
- b. Inspect the carrier's policy and procedures for de-enrolling subscribers that are receiving Lifeline service from another ETC or where more than one member of a subscriber's household is receiving Lifeline service (duplicative support). Note if the policy and procedures state that the ETC will de-enroll subscribers within five business days of receiving notification from USAC program management that a subscriber or a subscriber's household is receiving duplicative Lifeline support, as required by section 54.405(e)(2) of the Commission's rules.*
- c. Inspect the carrier's policy and procedures for de-enrolling subscribers for non-usage (i.e., where a Lifeline subscriber fails to use Lifeline service for 60 consecutive days), including the process of how the carrier monitors and identifies subscribers who are non-users of Lifeline service but enrolled in the program, as well as non-usage termination notifications provided in response to Item 18 of Appendix A. Examine the policy and procedures and non-usage termination notifications to verify if the termination notifications explain that the subscriber has 30 days following the date of the impending termination notification to use the Lifeline service. Identify any areas that are not in compliance with section 54.405(e)(3) of the Commission's rules.*
- d. Review the carrier's policy and procedures for de-enrolling a Lifeline subscriber that does not respond to the carrier's attempts to obtain recertification, as part of the annual eligibility recertification process, as well recertification requests provided in response to Item 19 of Appendix A. Examine the policy and procedures and recertification requests to verify if the communications explain that the subscriber has 30 days following the date of the notice to demonstrate continued eligibility or the carrier will terminate the subscriber's Lifeline service. In addition, examine the recertification requests and the carrier's responses to the background questionnaire and verify that the recertification requests were sent by a method separate from the subscriber's bill (if a customer receives a bill from the*

Attachment A – Results of Agreed-Upon Procedures (continued)

carrier). Identify any areas that are not in compliance with section 54.405(e)(4) of the Commission's rules.

Result:

EY obtained AT&T's policies and procedures in response to Item 4 of GSP Appendix A and Section C of GSP Appendix B regarding de-enrollment from the program, including when the ETC will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage and failure to certify. EY inspected the Company's policies and procedures, and compared to the Commission's Lifeline rules set forth in GSP Appendix F. From this comparison, EY noted the following policies and procedures that are in compliance with the Commission's Lifeline rules set forth in GSP Appendix F:

- a. The Company's policies and procedures included processes for communications between the subscriber and the Company regarding de-enrollment including (1) notifying subscribers of impending termination of service; (2) allowing subscriber to demonstrate continued eligibility; and (3) termination of service within 30 days for failure to demonstrate eligibility.
- b. The Company's policies and procedures state that the ETC will de-enroll subscribers within five business days of receiving notification from USAC program management that a subscriber or a subscriber's household is receiving duplicative Lifeline support.
- c. This procedure is not applicable, and no procedures were performed as the Company is not required to comply with section 54.405(e)(3) and section 54.407(c) of the Commission's rules regarding non-usage termination as the Company assessed and collected a monthly fee from Lifeline service subscribers during the Engagement Period.
- d. The Company's policies and procedures stated that annually, a subscriber will receive a recertification letter and form, separate from their bill, notifying the subscriber that they have 30 days from the date of the letter in which to complete the recertification process and if the subscriber fails to respond or qualify successfully the Lifeline benefit will be removed. Subscribers that fail or fail to respond to demonstrate continued eligibility will be de-enrolled within 5 business days of recertification notice expiration (30 days).

EY identified no areas of non-compliance with the Commission's Lifeline rules set forth in GSP Appendix F within the Company's above referenced policies and procedures.

Attachment A – Results of Agreed-Upon Procedures (continued)

Objective II: Consumer Qualification for Lifeline

Procedure II-1

Inquire of management and obtain carrier policies and procedures for limiting Lifeline support to a single subscription per household as provided by the carrier in response to Item 4 of Appendix A. Examine and compare the carrier policies and procedures, including any management responses, with the Commission's Lifeline rules set forth in 54.409(c) (Appendix F). Note any discrepancies between the policies and procedures and the Commission's rule.

Result:

EY obtained the Company's policies and procedures in response to Item 4 of GSP Appendix A for limiting Lifeline support to a single subscription per household (One Per Household). EY inspected the Company's policies and procedures, and compared those policies and procedures to the Commission's Lifeline rules set forth in GSP Appendix F.

EY identified no discrepancies between the Commission's Lifeline rules set forth in GSP Appendix F and the Company's One Per Household policies and procedures.

Procedure II-2

Review procedures the carrier has in place to ensure it has accurately completed the FCC Form 497. If the carrier does not have such procedures, inquire of management to describe the process for completing a FCC Form 497. The procedures or process should include the following:

- *The position title of the person responsible for obtaining data for the FCC Form 497;*
- *The process for determining which subscribers should be included monthly in the FCC Form 497. Document whether the procedures include cut-off or billing cycle dates, subscribers active as of the start or end of the month, etc.;*
- *That a corporate officer signature is required for the FCC Form 497;*
- *That a verification process exists to perform an independent review; that is, the person reviewing or validating the form's data is different from the person completing the form;*
- *Provides the billing system name used to generate completion of the form; and*
- *If applicable, describes the process for completing the Tribal Link Up portions of the FCC Form 497.*

Document any exceptions and include in the audit report.

Result:

EY obtained the Company's policies and procedures it has in place to prepare and complete the monthly FCC Form 497 and the submitted FCC Form 497 for February 2015 and August 2015 for the states of Florida, Missouri and North Carolina. Per inspection of the Company's policies and procedures and the FCC Form 497s obtained, EY identified the following:

- The Company's policies and procedures included the title of the person responsible for obtaining data for the FCC Form 497;

Attachment A – Results of Agreed-Upon Procedures (continued)

- The Company reports subscribers at the end of the billing month related to the FCC Form 497, reduced by an error rate calculated in accordance with Consent Decree Order DA15-485 adopted April 29, 2015 by the FCC and AT&T;
- A corporate officer performs an independent review and signs the FCC Form 497;
- The end of the month subscriber information is derived from the Company's billing system, Customer Record Information System (CRIS); and
- The Company did not complete the Tribal Link Up portion of the FCC Forms 497 obtained above.

EY identified no exceptions to the Lifeline requirements in the Company's policies and procedures to prepare and complete the monthly FCC Form 497.

Procedure II-3

Obtain the Subscriber List in response to Item 1 of Appendix A and obtain the carrier's FCC Form 497(s) for each study area in the selected states for the selected month. Compare the number of subscribers reported on the Form 497(s) to the number of subscribers contained on the Subscriber List for each study area. Note any discrepancies in the number of subscribers.

Result:

EY obtained the subscriber list for the month of August 2015 in response to Item 1 of GSP Appendix A, as well as, the carrier's FCC Form 497s for each study area in the selected states of Florida, Missouri and North Carolina for the selected month of August 2015. For each state selected, EY inspected the subscriber list and compared the number of subscribers on the subscriber lists to the number of subscribers reported on the FCC Form 497s. For the three states selected, EY noted that the number of subscribers per the subscriber list differed from the number of subscribers reported on the August 2015 FCC Form 497 by an adjustment factor calculated and applied pursuant to Consent Decree Order DA15-485 adopted April 29, 2015 by the FCC and AT&T. No discrepancies were identified.

Procedure II-4

Using computer-assisted audit techniques, examine the Subscriber List and note if there are any duplicate addresses with different subscribers. Create a list reflecting these results.

Results:

EY queried the August 2015 subscriber lists, obtained in response to Item 1 of GSP Appendix A, using computer-assisted audit techniques and identified 39 instances of duplicate addresses with different subscribers. Of the 39 instances, 20 were identified in the Florida subscriber list, 16 were identified in the North Carolina subscriber list and three were identified in the Missouri subscriber list.

Procedure II-5

From the list completed in #4, above, randomly select up to 30 subscribers from the list and request copies from the ETC of the one-per-household certification form for each of the selected subscribers using Appendix D.30 Because subscribers must only complete a one-per-household

Attachment A – Results of Agreed-Upon Procedures (continued)

certification form if existing Lifeline recipients reside at the same address, the selected subscribers should not be the first subscribers residing at the address based on the Lifeline start date in the subscriber listing (i.e., the selected subscribers should be the second or subsequent subscribers residing at the address based on the Lifeline start date in the subscriber listing). Verify that the provided one-per-household documentation includes the following requirements and the selected subscribers certified to only receiving one Lifeline-supported service in his/her household:

- a. An explanation of the Commission's one-per-household rule;*
- b. A check box that an applicant can mark to indicate that he or she lives at an address occupied by multiple households;*
- c. A space for the applicant to certify that he or she shares an address with other adults who do not contribute income to the applicant's household and share in the household's expenses or benefit from the applicant's income, pursuant to the definition we adopt here today; and*
- d. The penalty for a consumer's failure to make the required one-per-household certification (i.e., de-enrollment).*

Note the number of missing or incomplete certifications. Even if subscribers enrolled in the program prior to June 2012, the effective date of the one-per-household requirement, at least one subscriber at each address is required to complete a one-per-household worksheet.

Result:

From the 39 duplicate address subscribers identified in Procedure II-4, EY randomly selected 30 subscribers for testing, noting that 26 of the selected subscribers were wholesale subscribers and four were retail subscribers.

For the 26 wholesale subscribers selected, we obtained the name of the reseller related to each subscriber and the certification or Interconnection Agreement (ICA) for each reseller. EY inspected each ICA or certification and identified that the agreement stated that the reseller was responsible for the subscribers' one-per-household documentation rather than the Company. Management represented that, since the wholesale subscribers were certified by the reseller, the Company did not have the one-per-household documentation for these subscribers.

As only four of the 30 selections were retail subscribers, EY supplemented the sample by selecting all other instances of duplicate addresses for retail subscribers identified in Procedure II-4 (two additional retail subscribers), for a total of six retail subscribers tested. For each instance, we selected the second subscriber by Lifeline service date for testing of the one-per-household documentation.

EY obtained five of the six retail subscribers' one-per-household certifications and upon inspection identified that the five one-per-household certifications included the requirements and responses listed as a. through d. above, with the exception of the following:

Attachment A – Results of Agreed-Upon Procedures (continued)

- For two of the five subscribers, the apartment number listed on the subscriber listing was incorrect. Management has represented that these errors have been corrected as of the date of this report.
- For two of the five subscribers, the subscribers did not complete the check box that he or she lives at an address occupied by multiple households.

Management represented that one of the six retail subscriber's one-per-household certification could not be located; therefore, EY was unable to test the certification.

Management Comments

With respect to the two subscribers whose apartment number listed on the subscriber listing was incorrect, AT&T confirms that NLAD has been updated to reflect the correct apartment number for each subscriber. AT&T also notes that because the subscribers were at different locations than the other subscriber they were paired with, a one-per-household form was not required and the subscribers were valid for the test month.

With respect to the two subscribers that did not complete the check box that he or she lives at an address occupied by multiple households, AT&T acknowledges the box was not checked. In February 2016, AT&T began using a new supplier to manage the Lifeline program. AT&T works with supplier and specific agents identified from AT&T's quality assurance process and provides refresher training.

With respect to the subscriber's one-per-household certification that could not be located, AT&T so acknowledges. In February 2016, AT&T began using a new supplier and a one-per-household certificate was included in every application package. Effective December 2, 2016, due to the Lifeline Modernization Order, all new applicants are required to complete the one-per-household form. The supplier employs the use of a scanner to electronically store the application and the one-per-household forms, which prevents recurrence of this issue.

Attachment A – Results of Agreed-Upon Procedures (continued)

Objective III: Subscriber Eligibility Determination and Certification

Procedure III-1

Inquire of management and obtain carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by the carrier in response to Item 4 of Appendix A. Examine and compare the carrier policies and procedures, including any management responses, with the Commission's Lifeline rules set forth in section 54.410 (Appendix F). Note any discrepancies between the policies and procedures and the Commission's rule.

- a. Inspect the ETC's policies and look for evidence as to whether it includes a policy that the ETC does not retain copies of subscribers' proof of income- or program-based eligibility. Note in the Attestation Report if such a policy is not included.*
- b. Inspect the ETC's policies and look for evidence as to whether it includes a policy or procedure that the ETC must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that the ETC or its agents may not provide the consumer with an activated device intended to enable access to Lifeline service until that consumer's eligibility is fully verified and all other necessary enrollment steps have been completed.*

Result:

EY obtained the Company's policies and procedures in response to Item 4 of GSP Appendix A and GSP Appendix B relating to eligibility for subscribers to receive Lifeline services and compared to them to the Commission's rules section 54.410 regarding Lifeline subscriber eligibility determination and certification.

EY identified no discrepancies between the Commission's Lifeline rules set forth in GSP Appendix F, section 54.410 and the Company's above referenced policies and procedures.

Procedure III-2

Examine the ETC's policies and procedures for training employees and agents for ensuring that the ETC's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how the company ensures employees and agents have completed the training.

- a. If the ETC operates in a state that participates in NLAD, summarize the following:*
 - i. Training requirements and ETC policies for ensuring employees and agents are trained on the use and interaction with the NLAD, including limiting access to the NLAD to select individuals.*
 - ii. The rules for ensuring (1) subscribers are eligible to receive Lifeline services and have completed all forms necessary to receive service and (2) only subscribers vetted by NLAD are claimed for reimbursement on the FCC Form 497.*

Attachment A – Results of Agreed-Upon Procedures (continued)

- b. *If the ETC operates in NLAD opt-out states, summarize the following:*
- i. *Training requirements and ETC policies for ensuring employees and agents are trained on the use and interaction with state administrators and/or databases, including limiting access to any databases to select individuals.*
 - ii. *The rules for ensuring (1) subscribers are eligible to receive Lifeline services and have completed all forms necessary to receive service and (2) only subscribers vetted by a state administrator are claimed for reimbursement on the FCC Form 497.*
- c. *For all ETCs (in both types of states), summarize the following:*
- i. *Information regarding the timing, frequency and evidence of completion of the initial and any subsequent Lifeline subscriber eligibility and certification trainings required of the ETC's employees.*

Result:

EY inspected AT&T's policies and procedures obtained in GSP Appendix A, GSP Appendix B and GSP Appendix C regarding training employees and agents for ensuring that the Company's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how the company ensures employees and agents have completed the training.

Management responses within GSP Appendix B and GSP Appendix C outlined the following training requirements for employees and agents:

- All new hire employee/agents receive training on the AT&T Lifeline program. The training occurs during the employee's first 7 to 10 days and includes Lifeline product and business rules, modules on the Lifeline product and business rules, interfacing with the systems used to order Lifeline service, Lifeline scripts, state specific requirements and scripts and Lifeline job aids.
- Upon completion of the New Hire training, customer service representatives were tested on the Lifeline program requirements and procedures and were required to achieve a passing score before they completed the training.
- Transcripts of the training attended were maintained within the employee's personnel files.
- Employee/agents then must complete certification to demonstrate they can handle the inbound calls as trained.
- Once an employee/agent is acclimated to inbound call handling, agents are then trained on the inbound mail process.
- All new employees handling Lifeline services are required to take Consent Decree Training within 30 days of start date.
- All employees are required to recertify their compliance with AT&T Code of Business Conduct annually.

The three states selected for testing, Florida, Missouri and North Carolina participate in National Lifeline Accountability Database (NLAD). Employee training on Lifeline requirements includes

Attachment A – Results of Agreed-Upon Procedures (continued)

learning how to use and interact with NLAD. Employees learn how to enroll a subscriber in NLAD, update a subscriber, de-enroll a subscriber and look up a subscriber.

In order to log into NLAD, an account must be created for any new employee/user. The username for the account is the employee's email address the NLAD account creator uses to create the NLAD account. When the account is initially created, the user is assigned a temporary password that will expire after 72 hours. After successfully logging in for the first time, the user is directed to the NLAD Access Agreement page. After reading through the agreement, the user clicks either "Accept" to accept the NLAD Access Agreement and continue to the Warning page, or "Decline" to decline the agreement and be directed to the Access Denied Page.

The Company's FCC Form 497 procedures and processes include Lifeline subscribers at the end of the billing month, as derived from CRIS and verified as eligible via NLAD. Management represented that in addition to the monthly eligibility verification via NLAD, AT&T examines, a statistically significant sample of eligibility records for new Lifeline subscribers to confirm it has complete and current eligibility certification for each subscriber. It calculates an error rate reflecting a 95% confidence interval based on any errors discovered in the analysis. It then calculates a monthly weighted average error rate based on previous and current months' error rates. AT&T applies the upper limit of the weighted monthly error rate to the total number of retail subscribers to be claimed for reimbursement on its Form 497 claims, reducing the total retail claims for each AT&T Lifeline Wireline Affiliate by the respective error rate. Also, AT&T's Regulatory Accounting department monitors the reasonableness of monthly fluctuations and overall trends in the number of Lifeline subscribers.

Procedure III-3

Randomly select at least 100 subscribers from the Subscriber List and for the first 50 of the sampled subscribers, the auditor will perform the test described below, for each of the subscriber's certification/recertification forms obtained using Appendix E. After performing the tests described below for the first 50 sampled subscribers, if the error rate is higher than 5 percent, the auditor should apply the same procedure to the remaining 50 subscribers in the sample and record the results.

- a. *Examine the subscriber certification and recertification forms, if any, to verify the forms contain the following information:*
 - 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;*

Attachment A – Results of Agreed-Upon Procedures
(continued)

- v. *Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the subscriber's de-enrollment from the program;*
- vi. *Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person;*
- vii. *Require each prospective subscriber to provide the following information:*
 - 1. *The subscriber's full name;*
 - 2. *The subscriber's full residential address;*
 - 3. *Whether the subscriber's residential address is permanent or temporary;*
 - 4. *The subscriber's billing address, if different from the subscriber's residential address;*
 - 5. *The subscriber's date of birth;*
 - 6. *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;*
 - 7. *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; and*
 - 8. *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.*
- viii. *Require each prospective subscriber to certify, under penalty of perjury, that:*
 - 1. *The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409;*
 - 2. *The subscriber will notify the ETC within 30 days if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program-based criteria for receiving Lifeline service, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit.*
 - 3. *If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e);*
 - 4. *If the subscriber moves to a new address, he or she will provide that new address to the ETC within 30 days;*
 - 5. *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;*
 - 6. *The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge,*
 - 7. *The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and*

Attachment A – Results of Agreed-Upon Procedures
(continued)

8. *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 § 54.405(e)(4).*
- b. *Compare the ETC's subscriber eligibility criteria on the certification and recertification forms to the federal eligibility criteria listed in per 47 C.F.R. § 54.409, as well as any additional state eligibility criteria identified in Item 4 of Appendix A. Note any discrepancies. **Note:** The ETC may list the eligibility criteria in its entirety or may allow the subscriber to note only his/her qualifying criterion on the form.*
- c. *Verify the subscriber completed all the required elements as identified in Objective III – 3 a. above, including signature and initialing/checkbox requirements contained in the certification and recertification forms.*
- d. *Examine the subscriber's certification/recertification form to verify the forms are dated prior to the end of the selected Form 497 data month. If the provided subscriber certification/recertification form is the subscriber's initial certification form, verify the form is dated prior to or on the same day as the Lifeline start date per the subscriber listing.*
- e. *If applicable, verify subscribers who received Tribal Lifeline support certified to residing on Tribal lands.*
- f. *Review the list of the data source or documentation the ETC reviewed to confirm the subscriber's eligibility obtained using Appendix E. Verify the recorded data sources are eligible data sources per 47 C.F.R. § 54.410, such as (1) income or program eligibility databases, (2) income or program eligibility documentation, or (3) confirmation from a state administrator.*

Result:

EY obtained the subscriber listing as of August 2015 for the selected states of Missouri, North Carolina and Florida. We randomly selected a sample of 100 subscribers across all three states for testing of their certification/recertification forms in compliance with the Commission's rules listed above. In applying the testing procedures listed above to the first 50 randomly selected subscribers, we identified an error rate higher than 5%, as defined within the GSPs. Consequently, we tested the entire sample of 100 subscribers and the results of this testing is described below. Additionally, we selected 13 wholesale subscribers with our random sample selection procedures (four wholesale subscribers in the first sample of 50 subscribers and nine wholesale subscribers in the second sample of 50 subscribers). Since the Company does not perform the certification or recertification procedures for wholesale subscribers, we replaced the 13 wholesale subscribers with the next 13 randomly selected subscribers to complete the sample of 100 subscribers.

Attachment A – Results of Agreed-Upon Procedures (continued)

For the 100 subscribers selected, EY requested the subscribers certification/recertification form or the Interactive Voice Recording (IVR) for all subscribers that recertified by phone. Upon inspection of the forms and IVRs provided, EY identified the following:

- For 87 of the 100 subscribers' tested, the subscriber's forms included all elements listed in Procedure III-3(a) and met all the criteria listed in Procedure II-3(b) through (f). No exceptions identified.
- For six of the 100 subscribers, their Lifeline start dates on the certification/ recertification forms did not agree with the Lifeline start dates listed on the subscriber listing for August 2015 obtained above.
- For five of the 100 subscribers, their certification/recertification forms did not include one of the required elements listed in Procedure III-3(a).
- For one of the 100 subscribers, the address included on their recertification form did not agree with the service address on the information provided by the Florida Public Service Commission and the subscriber's Lifeline start date did not agree with the start date included on the August 2015 subscriber listing obtained above.
- For one of the 100 subscribers, Management represented that the certification/ recertification form for the subscriber could not be located; therefore EY was unable to perform testing for this selected subscriber.

Management Comments

Importantly, the six subscribers, whose Lifeline start dates on the certification/ recertification forms did not agree with the Lifeline start dates listed on the subscriber listing for August 2015, were all valid Lifeline subscribers for the audit period. Further, Management notes:

- One of the subscribers provided a new application instead of a recertification in 2015 despite being a continuous Lifeline subscriber since January 24, 2013. At the time, it was AT&T's policy to accept an application in lieu of a recertification form and that was the applicable document to support the August 2015 sample. Our current policy is to stop processing new enrollment applications for existing Lifeline subscribers.
- For the other five subscribers, the Lifeline start date on the subscriber list was incorrect. All five of these subscribers have since disconnected or been de-enrolled; therefore, we cannot change their Lifeline Start Dates in NLAD.

Again, all six subscribers were valid Lifeline subscribers during the Engagement Period.

Attachment A – Results of Agreed-Upon Procedures (continued)

With respect to the five subscribers whose certification/recertification forms did not include one of the required elements, Management notes:

- The subscriber whose first name on the subscriber list did not match the first name of the application/recertification is a valid subscriber for the audit period. The name and Last 4 SSN on our customer service record match that on the application/recertification. The first name on the subscriber list was the list name on the account and was erroneously input to NLAD. Because the subscriber is no longer a Lifeline customer, the record was not updated in NLAD.
- With respect to the other four subscribers with missing elements, we note that in 2015, we implemented new agent procedures/checklist for the supplier to confirm all required fields were populated. In February 2016, AT&T began using a new supplier to manage the Lifeline program. AT&T works with supplier and specific agents identified from AT&T's quality assurance process and provides refresher training.

With respect to the subscriber whose address included on the recertification form did not agree with the service address on the information provided by the Florida Public Service Commission and Lifeline start date did not agree with the start date included on the August 2015 subscriber listing, we note that this is a valid subscriber. The address on the subscriber listing was an old address for the subscriber and the Lifeline start date was incorrect. The subscriber is currently listed correctly in NLAD. We have updated our systems and processes to notify NLAD when customer account changes (e.g., telephone number, address, etc.) occur, which will prevent recurrence of this issue.

Last, with respect to the one subscriber for whom we are missing the appropriate, timely application, we note that in February 2016, AT&T began using a new supplier to manage the Lifeline program. The supplier employs the use of a scanner to electronically store the application and make it available immediately for viewing, which will prevent the recurrence of this issue.

Attachment A – Results of Agreed-Upon Procedures (continued)

Objective IV: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers

Procedure IV-1

Inquire of management and obtain carrier policies and procedures for ensuring that the carrier has made and submitted the annual certifications required under sections 54.416 (i.e., FCC Form 555) and 54.422 (i.e., FCC Form 481) of the Commission's rules, as provided by the carrier in response to Items 4, 12 and 13 of Appendix A. Examine and compare the carrier policies and procedures, including any management responses, with the Commission's Lifeline rules set forth in sections 54.416 and 54.422 (Appendix F). Note any discrepancies between the policies and procedures and the Commission's rules.

Result:

EY inquired of management on January 17, 2017 and obtained the Company's policies and procedures related to preparing and submitting the annual recertifications related to the FCC Form 555 and FCC Form 481. EY inspected the policies and procedures, and compared those policies and procedures, to the Commission's Lifeline rules set forth in GSP Appendix F. No discrepancies were identified.

Procedure IV-2

Examine the ETC's FCC Form 555 that was filed the January following the audit period provided by the carrier in response to Item 12 of Appendix A. Verify the carrier made all of the following certifications. An officer of each ETC must certify that s/he understands the Commission's Lifeline rules and requirements and that the carrier:

- a. Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services;*
- b. Is in compliance with all federal Lifeline certification procedures; and*
- c. In instances where an ETC confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. § 54.410(f)(2)(i)-(ii), or by relying on a state Lifeline administrator, as defined in 47 C.F.R. § 54.410(f)(3), the representative must attest annually as to what specific data sources the ETC used to confirm eligibility.*

Result:

EY obtained the FCC Form 555s obtained from the Company in response to Item 5 of GSP Appendix A that were filed in January 2016 for the selected states of Missouri, Florida and North Carolina. We read the three FCC Form 555s and observed that they included an officer's certification that the officer understands the Commission's Lifeline rules and requirements and that the Company:

- Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services
- Is in compliance with all federal Lifeline certification procedures

Attachment A – Results of Agreed-Upon Procedures (continued)

- In instances where an ETC confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. § 54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources the ETC used to confirm eligibility

No exceptions identified.

Procedure IV-3

Examine the ETC's organizational chart provided by the carrier in response to Item 5 of Appendix A. Verify that the certifying officer on the FCC Form 555 is an officer per the organizational chart or other publicly available documents.

Result:

EY inspected the three FCC Form 555s from Procedure IV-2 above and observed that the certifying officer (the Controller) is an officer per the organizational chart provided by the Company in response to Item 15 of GSP Appendix A. No exceptions identified.

Procedure IV-4

Verify that the subscriber count per the FCC Form 555 agrees with the total subscriber count per the February FCC Forms 497 provided by the carrier in response to Item 15 of Appendix A.

Result:

EY obtained the Company's FCC Form 497 filings for February 2016 for the states of Florida, Missouri and North Carolina. Using these FCC Form 497 filings and the three FCC Form 555 filings obtained in Procedure IV-2 above, we compared FCC Form 555 Item A (Number of Subscribers Claimed on February FCC Form(s) 497 of current Form 555 calendar year) to the total number of subscribers reported on the FCC Form 497 (the sum of subscribers reported in line 8, non-tribal subscribers and line 9, tribal subscribers) and observed, for the three states, that the subscriber counts reported on both FCC Forms agreed prior to the application of the FCC Form 497 Filing Adjustment Factor required in response to Consent Decree Order DA15-485 adopted April 29, 2015 by the FCC and AT&T. No exceptions identified.

Procedure IV-5

Verify that the recertification data reported on the FCC Form 555 agrees with the detailed recertification results provided by the carrier in response to Item 9 of Appendix A.

Result:

EY compared the recertification data reported FCC Form 555s for the states of Florida, Missouri and North Carolina obtained in Procedure IV-2 above to the detailed recertification results provided by the Company in response to Item 9 of GSP Appendix A. No exceptions identified.

Attachment A – Results of Agreed-Upon Procedures (continued)

Procedure IV-6

Verify that the non-usage data reported on the FCC Form 555 for the selected month agrees with the detailed non-usage results provided by the carrier in response to Item 10 of Appendix A.

Result:

Management represented that since the carrier assesses and collects monthly fees from subscribers for Lifeline service, this procedure was not applicable. Therefore, EY did not perform this procedure.

Procedure IV-7

Review the carrier's Form 481, as provided by the carrier in response to Item 13 of Appendix A. Verify that the ETC reported all the information and made all the certifications required by 47 C.F.R. § 54.422(a)(b).

Result:

Along with the three Form 555 filings obtained in Procedure IV-2 above, we obtained the following FCC Form 481- Carrier Annual Reporting, Data Collection Form submissions in response to Item 13 of GSP Appendix A:

- Study area code 215191, Southern Bell - Florida FCC Form 481 filed June 15, 2015
- Study area code 425213, Southwestern Bell - Missouri FCC Form 481 filed June 26, 2015
- Study area code 235193, Southern Bell – North Carolina FCC Form 481 filed June 26, 2015

We inspected the FCC Form 481 submissions listed above and observed that they included the following information required by 47 C.F.R. §54.422(a). No exceptions identified.

- Company name
- Holding company name
- Operating companies and affiliates
- Branding (“doing-business-as company” or brand designations)
- Study area code
- Website link to information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, including details on the number of minutes provided as part of the plan, additional charges, if any, for toll calls, and rates for each such plan

We inspected the FCC Form 481 submissions listed above and observed that they included the following information required by 47 C.F.R. §54.422(b)(1):

Study area code 215191, Southern Bell – Florida FCC Form 481 and study area code 235193, Southern Bell – North Carolina FCC Form 481 included an attachment detailing the required outage information for the prior calendar year.

- Study area code 425213, Southwestern Bell – Missouri FCC Form 481 did not include an attachment detailing the required outage information for the prior calendar year.

Attachment A – Results of Agreed-Upon Procedures (continued)

We inspected the FCC Form 481 submissions listed above and observed that the Florida and North Carolina forms included the following information required by 47 C.F.R. §54.422(b)(2):

- The number of complaints per 1,000 connections in the prior calendar year
- Certification of compliance with the applicable service quality standards and consumer protection rules
- Certification that the carrier is able to function in an emergency situation as set forth in §54.202(a)(2)

Management represented that the information required by 47 C.F.R. §54.422(b)(1) and §54.422(b)(2) is not required to be reported for Missouri (study area 425213) since the Company receives no universal service funding support, other than Lifeline, within Missouri. Additionally, AT&T received their Missouri ETC designation from the Missouri Public Service Commission rather than from the FCC; therefore, §54.422(b) is not applicable.

Procedure IV-8

Review any supporting schedules related to the carrier's FCC Form 481, as provided by the carrier in response to Items 16 and 17 of Appendix A. Verify that the data reported on the FCC Form 481 agrees with the supporting schedules.

Result:

EY noted that no supporting schedules related to the FCC Form 481 were provided by the Company in response to Items 16 and 17 of GSP Appendix A. As such, EY did not perform this procedure. Management represented that its ETC designations in Florida, Missouri and North Carolina were granted by the states rather than the FCC, therefore applicable schedules were not provided for the reporting of outages (Item 16) or number of complaints (Item 17) since those requests were predicated on the ETC designation being granted by the FCC.

Procedure IV-9

Inquire of management and obtain carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules, as provided by the carrier in response to Item 4 of Appendix A. Examine and compare the carrier policies and procedures, including any management responses, with recordkeeping rules set forth in 47 C.F.R. § 54.417. Note any discrepancies between the policies and procedures and the Commission's rule.

Result:

EY inspected the Company's policies and procedures obtained in response to Item 4 of GSP Appendix A, related to recordkeeping and compared them to the Commission's recordkeeping rules set forth in 47 C.F.R. § 54.417. No discrepancies were identified.

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