

VIA ECFS

March 30, 2015

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, D.C. 20554

**Re: WC Docket 11-42
Lifeline Biennial Audit of TerraCom, Inc.
Independent Accountant's Report on Applying Agreed-Upon Procedure
Year Ended December 31, 2013**

Dear Ms. Dortch:

Last week, pursuant to paragraphs 9 and 15(c) of the FCC's General Standard Procedures for the Lifeline Biennial Audit, TerraCom, Inc. ("TerraCom") submitted the final Independent Accountant's Report on Applying Agreed-Upon Procedures for the year ended December 31, 2013 to: (1) Charles Tyler of the Telecommunications Access Policy Division, (2) Thomas Buckley of the Office of the Managing Director, (3) Karen Majcher of the Universal Service Administrative Company; and (4) the relevant state commissions.

TerraCom has since been advised to also file the report in WC Docket 11-42. Accordingly, please see the attached report.

Please contact us if you have any questions.

Sincerely,



Danielle Frappier
Adam Shoemaker
Attorneys for TerraCom, Inc.

TERRACOM, INC.

OKLAHOMA CITY, OK

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

For the Year Ended December 31, 2013

Independent Accountants' Report
On Applying Agreed-Upon Procedures
TerraCom, Inc.
For the Year Ended December 31, 2013

To the Management of TerraCom, Inc., the Universal Service Administrative Company (USAC), and the Federal Communications Commission (FCC or Commission) (the responsible and specified parties):

We have performed the procedures enumerated in Attachment A, which were agreed to by the FCC's Wireline Competition Bureau (Bureau) and Office of Managing Director (OMD) in the Lifeline Biennial Audit Plan or as otherwise directed by the Bureau, solely to assist you in evaluating TerraCom, Inc.'s compliance with certain regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program) of the Universal Service Fund, set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules) detailed in the Lifeline Biennial Audit Plan for the calendar year ended December 31, 2013. TerraCom, Inc.'s management is responsible for compliance with the Rules. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (2011 Revision). The sufficiency of these procedures is solely the responsibility of the Bureau and OMD. 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.

Specific procedures and related results are enumerated in Attachment A to this report. In compliance with the Lifeline Biennial Audit Plan, this report does not contain any personally identifiable information or individually identifiable customer proprietary network information.

No limitations were imposed on us by TerraCom, Inc. or any other affiliate of TerraCom, Inc. that would affect our findings.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on TerraCom, Inc.'s compliance with the Rules. Accordingly, we do not express such an opinion. 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 management of TerraCom, Inc., USAC, and the FCC (the responsible and specified parties), and is not intended to be and should not be used by anyone other than these specified parties. This report becomes a matter of the public record upon filing of the final report with the FCC. The final report is not confidential.

Curtis Blakely & Co., P.C.
Curtis Blakely & Co., P.C.

March 3, 23015

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Agreed-Upon Procedures Report – Attachment A
TerraCom, Inc.

Attachment A enumerates the agreed-upon procedures for TerraCom, Inc., the associated results, and any management responses obtained in relation to the exceptions identified.

Objective I: Carrier Obligation to Offer Lifeline. To determine if TerraCom, Inc. has procedures in place to make Lifeline services available to qualifying low-income consumers with mandated disclosures regarding requirements to participate in the Lifeline program, and procedures for de-enrolling subscribers when they are no longer eligible to receive Lifeline services.

Procedure 1

We inquired of TerraCom, Inc.'s management and obtained TerraCom, Inc.'s policies and procedures in response to Item 4 of Appendix A (Requested Documents) of the Lifeline Biennial Audit Plan for offering Lifeline service to qualifying low-income consumers.

We examined TerraCom, Inc.'s policies and procedures, and compared those policies and procedures, as well as management's responses to the inquiries, to the Commission's Lifeline rules set forth in Appendix F of the Lifeline Biennial Audit Plan.

We noted no discrepancies between TerraCom, Inc.'s policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

No exceptions were noted.

Procedure 2

We inspected 10 examples of TerraCom, Inc.'s marketing materials describing the Lifeline service (print and web materials used to describe or enroll in the Lifeline service offering, including, application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A of the Lifeline Biennial Audit Plan. We examined the examples to determine if they included the following:

- a. The service is a Lifeline service, which is a government assistance program;
- b. The service is non-transferable;
- c. Only eligible subscribers may enroll;
- d. Only one Lifeline discount is allowed per household; and
- e. The eligible telecommunications carrier (ETC)'s name or any brand names used to market the service.

We noted the inspected marketing materials contained the required information.

No exceptions were noted.



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Agreed-Upon Procedures Report – Attachment A
TerraCom, Inc.

Procedure 3

We randomly selected 10 recorded calls out of the 50 recorded calls, servicing TerraCom, Inc.'s Lifeline subscribers, as provided in response to Item 8 of Appendix A. In reviewing the 10 recorded calls, we noted whether: (1) the telephone number(s) involve the use of interactive voice response (IVR) system; (2) a live customer care operator is available; and (3) and the time spent using the customer care telephone service. We also noted whether the customer care telephone number(s) can be used by subscribers to notify TerraCom, Inc. of the subscriber's intent to cancel service or give notification that the subscriber is no longer eligible to receive service.

We noted the inspected recorded calls contained the required information.

No exceptions were noted.

Procedure 4

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

- a. We inspected TerraCom, Inc.'s policy and procedures for de-enrollment where TerraCom, Inc. 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. We noted whether the policy and procedures detail the process for communications between the subscriber and TerraCom, Inc. 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 for failure to demonstrate eligibility.

We noted no discrepancies between TerraCom, Inc.'s policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules pertaining to de-enrollment for no longer meeting criteria of a qualifying low-income consumer.

No exceptions were noted.

- b. We inspected TerraCom, Inc.'s policies 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). We noted if the policy and procedures state that TerraCom, Inc. 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 §54.405(e)(2) of the Commission's rules.



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TerraCom, Inc.

We noted no discrepancies between TerraCom, Inc.’s policies and procedures, management’s responses to the inquiries, and the Commission’s Lifeline rules pertaining to de-enrollment for 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).

No exceptions were noted.

- c. We inspected TerraCom, Inc.’s policies 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 TerraCom, Inc. monitors and identifies subscribers who are non-users of Lifeline service but enrolled in the program.

We noted no discrepancies between TerraCom, Inc.’s policies and procedures, management’s responses to the inquiries, and the Commission’s Lifeline rules pertaining to de-enrolling subscribers for non-usage (i.e., where a Lifeline subscriber fails to use Lifeline service for 60 consecutive days).

No exceptions were noted.

Using the list provided in response to Item 10 in Appendix A, we performed the following:

- i. For subscribers listed as de-enrolled or scheduled for de-enrollment, we selected a sample of 10 accounts and requested copies of the non-usage termination notifications or other forms of communication sent to the subscribers.
- ii. We examined the non-usage termination notifications or other forms of communication 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. We noted if any of the non-usage termination notifications do not include this information, as required by §54.405(e)(3) of the Commission’s rules.
- iii. A sample non-usage termination notification is included in our workpapers.

We noted the inspected non-usage termination notifications contained the required information above.

No exceptions were noted:

- d. We reviewed TerraCom, Inc.’s policy and procedures for de-enrolling a Lifeline subscriber that does not respond to TerraCom, Inc.’s attempts to obtain recertification, as part of the annual eligibility recertification process. For subscribers identified in Items 9.i and j of Appendix A, we selected a random sample of 30 and requested copies of the notice of impending de-enrollment letters and all other communications sent to the subscribers involving recertification and we also performed the following:

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TerraCom, Inc.

- i. We inspected the sampled notice of impending de-enrollment letters and any other communications sent to the subscriber regarding re-certification to verify if the communications explain that the subscriber has 30 days following the date of the notice of impending de-enrollment letter to demonstrate continued eligibility or TerraCom, Inc. will terminate the subscriber’s Lifeline service.

We noted the inspected notice of impending de-enrollment letters and other communications contained the required information.

No exceptions were noted.

- ii. We reviewed the de-enrollment letters, and other forms of communications, and TerraCom, Inc.’s responses to the background questionnaire and verified through observation that the communications were sent by a method separate from the subscriber's bill.

We noted the inspected notices of impending de-enrollment were sent by a method separate from the subscriber’s bill.

No exceptions were noted.

- iii. We have included in our workpapers the two templates of the impending de-enrollment letters used by TerraCom, Inc., and any other forms of communications provided to the subscriber.

Objective II: Consumer Qualification for Lifeline. To determine if TerraCom, Inc. has procedures in place to limit Lifeline service to qualifying low-income consumers and ensure that Lifeline service is limited to a single subscription per household.

Procedure 1

We inquired of management and obtained TerraCom, Inc.’s policies and procedures for limiting Lifeline support to a single subscription per household as provided by TerraCom, Inc. in response to Item 4 of Appendix A. We examined the policies and procedures. We compared management responses and TerraCom, Inc.’s policies and procedures with the Commission’s Lifeline rules set forth in §54.409(c) (Appendix F).

We noted no discrepancies between TerraCom, Inc.’s policies and procedures for limiting Lifeline support to a single subscription per household, management’s responses to the inquiries, and the Commission’s Lifeline rules.

No exceptions were noted.



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Agreed-Upon Procedures Report – Attachment A
TerraCom, Inc.

Procedure 2

We reviewed procedures TerraCom, Inc. has in place to ensure it has accurately completed the FCC Form 497 including inquiries of management to describe the process for completing the 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. Verify the procedures include cut-off and billing cycle dates, and only those subscribers active as of the start or end of the month;
- 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, describe the process for completing the Tribal Link Up portions of the FCC Form 497.

The inspected procedures for accurately completing the FCC Form 497 contained the required information

No exceptions were noted.

Procedure 3

We obtained the Subscriber List in response to Item 1 of Appendix A and obtained TerraCom, Inc.'s FCC Form 497(s) for each study area in the selected states (Oklahoma, Maryland and Wisconsin) for October, 2013. We examined the number of subscribers claimed on the Form(s) 497 and compared to the number of subscribers contained on the Subscriber List for each study area noting all were in agreement.

As TerraCom, Inc.'s internal auditor gathered the data required in the Item 1 of Appendix A request and added in the DOBs and SSNs that were received during the 2013 recertification process, a few instances were identified of subscribers who used two separate addresses and used either a maiden name or different variation in spelling of their first name to receive service. At the time of this filing (October 2013), the ETC had not yet received these subscriber's SSN and DOB, so were unable to identify these cases. The Form 497 for three of the SACs were revised downward on 10/20/14 to account for these duplicates. The total reduction for the October was \$420.25. The ETC has re-filed any additional months needed to cover the lifespan of these customers as well.

The duplicates were as follows:

- SAC 189011 – 1
- SAC 439009 – 6
- SAC 439043 – 6

We compared the revised 497s to the subscriber list.



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TerraCom, Inc.

No exceptions were noted.

See Appendix 1 for TerraCom, Inc. Response

Procedure 4

Using Microsoft Excel data sorting and conditional formatting functions, we examined the Subscriber List and noted if there were any duplicate addresses with different subscribers. We then created a sample list reflecting these results. This list was then used in Procedure 5.

Procedure 5

From the list completed in Procedure 4 above, we randomly selected 30 subscribers and requested copies from TerraCom, Inc. of the one-per-household certification form or the original Lifeline certification form, for each of the selected subscribers. We verified that the selected subscribers certified to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet or the original Lifeline certification form, unless they were the first subscriber in the household. There were no missing or incomplete certifications.

No exceptions were noted.

Objective III: Subscriber Eligibility Determination and Certification. To determine if TerraCom, Inc. implemented policies and procedures for ensuring that their Lifeline subscribers are eligible to receive Lifeline services.

Procedure 1

We inquired of management and obtained carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by TerraCom, Inc. in response to Item 4 of Appendix A. We examined the policies and procedures. We compared management responses and carrier policies and procedures with the Commission’s Lifeline rules set forth in §54.410 (Appendix F).

We noted no discrepancies between TerraCom, Inc.’s policies and procedures, management’s responses to the inquiries, and the Commission’s Lifeline rules pertaining to ensuring that TerraCom, Inc.’s Lifeline subscribers are eligible to receive Lifeline services.

No exceptions were noted.

- a. We inspected TerraCom, Inc.’s policies looking for evidence as to whether they include a policy that TerraCom, Inc. does not retain copies of subscribers’ proof of income or program based eligibility.



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TerraCom, Inc.

We noted TerraCom, Inc. does have a policy to not retain copies of subscribers' proof of income or program based eligibility.

No exceptions were noted.

- b. We inspected TerraCom, Inc.'s policies looking for evidence as to whether they include a policy or procedure that TerraCom, Inc. must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that TerraCom, Inc. 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.

We noted TerraCom, Inc. does have a policy that TerraCom, Inc. must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that TerraCom, Inc. 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.

No exceptions were noted.

Procedure 2

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

Following is a summarization of TerraCom, Inc.'s policies and requirements relative to the above. TerraCom, Inc. contracts portions of its application process, including many aspects of its certification and recertification to VCare Corporation, a 3rd party vendor. VCare Corporation trains its employees on the use of its activation system, use and interaction with NLAD including limiting access to NLAD, lifeline rules and regulations including eligibility requirements, and privacy and security. TerraCom, Inc. employees are issued a code of conduct that details how employees should interact with customers.

Training is provided to all new hires and on an as needed basis which is usually when there are substantial changes to the policies and procedures. VCare Corporation employees are required to complete (and pass) four tests following training. The tests are dated and records are kept to indicate which employees have completed the process. Additionally, "VCare Training Snapshot" is used by VCare Corporation to track representative training and who has completed the required testing. Representatives that do not successfully pass the testing must complete an additional round of training (and be re-tested) before beginning or continuing work.

No exceptions were noted.



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TerraCom, Inc.

Procedures 3

We randomly selected 100 subscribers from the Subscriber List and for the first 50 of the sampled subscribers, performed the tests described below, for each of the subscriber's certification and recertification forms.

- a. We examined the subscriber certification and recertification forms or other forms of communication, 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;
 - 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;



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TerraCom, Inc.

2. The subscriber notified TerraCom, Inc. 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 TerraCom, Inc. 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
 8. The subscriber acknowledges that the subscriber may be required to recertify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to recertify 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).
- ix. We compared TerraCom, Inc.'s subscriber eligibility criteria on the certification and recertification forms other forms of communication, to the federal eligibility criteria listed in per 47 C.F.R. §54.409.
- x. We verified 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 and other forms of communication.
- xi. We examined the subscriber's initial certification form to verify the initial certification form is dated prior to or on the same day as the Lifeline start date per the Subscriber List. This procedure would not apply to subscribers enrolled prior to June, 2012.
- xii. If applicable, we verified subscribers who received Tribal Lifeline support certified to residing on Tribal lands.

We noted certification and recertification forms and other forms of communication, included the above required information.

Findings:

From the first sample of 50 we found a total of 6 sample items that had exceptions. One of the 6 had multiple exceptions. A description of the exceptions for the 6 sample items follows:



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TerraCom, Inc.

- 1) There were 5 tribal subscribers that did not check the box certifying to having an address on tribal lands.
- 2) One of the sample items did not contain the statements about Lifeline being a Federal benefit and non-transferable nor did it contain the 1 per household explanations and definitions.
- 3) Because this error rate exceeded 5%, the second sample of 50 was examined.

From the second sample of 50 we found a total of 4 sample items that had exceptions. Some of the 4 had multiple exceptions. A description of the exceptions for the 4 sample items follows:

- 1) All 4 of the exception sample items did not contain the Appendix A, 3i statement that Lifeline is a Federal benefit...
- 2) One of the 4 sample item did not include the one per household and non-transferable information at Appendix A, 3ii through 3vi.
- 3) One of the 4 sample items did not contain DOB and 2 did not contain the last 4 digits of the SSN.
- 4) One of the 4 was a tribal subscriber that did not certify to living on tribal lands.
- 5) Two of the 4 sample items did not contain the statement in Appendix A, 3.a.viii(4) that the subscriber will inform TerraCom, Inc. if they change address.
- 6) One of the 4 sample items did not include the statement that the information is true and correct and did not inform the subscriber that providing false or fraudulent information is punishable by law.

See Appendix 1 for TerraCom, Inc. Response

- b. We reviewed the list of the data source or documentation TerraCom, Inc. reviewed to confirm the subscriber's eligibility. We verified 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.

No exceptions were noted.

Objective IV: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers. To determine if TerraCom, Inc. has made and submitted to the Universal Service Administrative Company the required annual certifications, under penalty of perjury, relating to the Lifeline program by an officer of the company and maintained recordkeeping requirements.

Procedure 1

We inquired of management and obtained carrier policies and procedures for ensuring that TerraCom, Inc. has made and submitted the annual certifications required under §54.416 and §54.422 of the Commission's rules. We examined these policies and procedures.



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TerraCom, Inc.

We noted no discrepancies between TerraCom, Inc.’s policies and procedures, management’s responses to the inquiries, and the Commission’s Lifeline rules relative to submitting the annual certifications.

No exceptions were noted.

Procedure 2

We examined TerraCom, Inc.’s FCC Forms 555 that were filed the January following the audit period. We verified TerraCom, Inc. made all of the following certifications. An officer of TerraCom, Inc. certified that he or she understands the Commission’s Lifeline rules and requirements and that TerraCom, Inc.:

- 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 TerraCom, Inc. 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 TerraCom, Inc. used to confirm eligibility.

The Form 555 does not include a place to certify that the officer understands the Commissions’ Lifeline rules and requirements. TerraCom, Inc. believes this is implicit to the officer certifying the Form 555.

No exceptions were noted.

Procedure 3

We examined TerraCom, Inc.’s organization chart provided in response to Item 5 of Appendix A. We verified that the certifying officer on the FCC Forms 555 for the selected states is an officer per the organizational chart or other publicly available documents.

No exceptions were noted.

Procedure 4

We verified that the subscriber counts per the FCC Forms 555 for the selected states agree with the total subscriber counts per the February Forms 497.

No exceptions were noted.



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TerraCom, Inc.

Procedure 5

For the month of February, we (1) randomly selected one of the three states or territories where TerraCom, Inc. received the largest amount of Lifeline support and is responsible for the annual recertification process (Oklahoma), and (2) randomly selected two additional states or territories (Maryland and Wisconsin) where TerraCom, Inc. is responsible for the annual recertification process (Recertification Sample). We reviewed TerraCom, Inc.'s recertification results of the individual subscribers reported on the FCC Form 555 filed the January following the audit period for those three randomly selected states, as provided in Item 9 of Appendix A. We verified that the data reported on the FCC Form 555 for those states agrees with the detailed recertification results.

Finding:

There appears to have been a transposition error with the amount reported on column I of the Oklahoma SAC 439043 Form 555. The amount on Form 555 is 8,132 but the amount per Table 2 is 8,312.

See Appendix 1 for TerraCom, Inc. Response

Procedure 6

Since the non-usage rule applies to TerraCom, Inc., we (i) randomly selected three months during the audit period (April, July, and October 2013); (ii) randomly selected one of the three states or territories where TerraCom, Inc. received the largest amount of Lifeline support (Oklahoma); (iii) randomly selected two additional states or territories where TerraCom, Inc. receives Lifeline support (Maryland and Wisconsin), and (iv) reviewed TerraCom, Inc.'s detailed non-usage results of the individual subscribers reported on the FCC Forms 555 for those three randomly selected months within the three selected states, as provided in Item 10 of Appendix A (Non-Usage Sample).

No exceptions were noted.

Procedure 7

We reviewed TerraCom, Inc.'s annual ETC certification Form 481, as provided in Item 13 of Appendix A. We verified that TerraCom, Inc. reported all the information and made all the applicable certifications required by 47 C.F.R. §54.422(a)(b).

No exceptions were noted.

Procedure 8

Because TerraCom, Inc.'s ETC designation is by state and not by the FCC, TerraCom, Inc. is not required to provide information about outages, complaints, and compliance with quality standards so the requirement to review supporting schedules is not applicable.



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Agreed-Upon Procedures Report – Attachment A
TerraCom, Inc.

Procedure 9

We inquired of management and obtained carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules, as provided by TerraCom, Inc. in response to Item 4 of Appendix A. We examined the policies and procedures. We compared the management responses and carrier policies with recordkeeping rules set forth in 47 C.F.R. §54.417.

No exceptions were noted.



Appendix 1



March 4, 2015

Curtis Blakely & Co., P.C.
Certified Public Accountants
P. O. Box 5486
Longview, TX 75608-5486

TerraCom, Inc. ("TerraCom") hereby provides responses to the draft Independent Accountants' Report prepared by your firm as directed in the Federal Communications Commission ("FCC") Lifeline Biennial Audit Plan. The company responds to each of the draft findings below.

Objective II, Procedure 3

Draft Discussion

We obtained the Subscriber List in response to Item 1 of Appendix A and obtained TerraCom, Inc.'s FCC Form 497(s) for each study area in the selected states (Oklahoma, Maryland, and Wisconsin) for October, 2013. We examined the number of subscribers claimed on the Form(s) 497 and compared to the number of subscribers contained on the Subscriber List for each study area noting all were in agreement.

As TerraCom, Inc.'s internal auditor gathered the data required in the Item 1 of Appendix A request and added in the DOBs and SSNs that were received during the 2013 recertification process, a few instances were identified of subscribers who used two separate addresses and used either a maiden name or different variation in spelling of their first name to receive service. At the time of this filing (October 2013), the ETC had not yet received these subscriber's SSN and DOB, so were unable to identify these cases. The Form 497 for three of the SACs were revised downward on 10/20/14 to account for these duplicates. The total reduction for the October 497 was \$420.25. The ETC has re-filed any additional months needed to cover the lifespan of these customers as well. The duplicates were as follows:

SAC 189011 – 1
SAC 439009 – 6
SAC 439043 – 6

We compared the revised 497s to the subscriber list.

TerraCom response: *The subscribers discussed above were enrolled prior to June 1, 2012. ETCs were not required to collect the Social Security number ("SSN") or date of birth ("DOB") from Lifeline applicants until such requirement was added to 47 CFR § 54.410 and went into effect on June 1, 2012. See 77 Fed. Reg. 25,609 (May 1, 2012) (specifying that 47 C.F.R. § 54.410(d) became effective on June 1, 2012). Because these subscribers were enrolled prior to June 1, 2012 TerraCom did not collect their SSN and DOB until the 2013 recertification process, which was completed in late December 2013. By the time this information was entered, at least one of the subscribers in each duplicate pair had already de-enrolled. In reviewing this information to provide to the auditors, TerraCom identified that these subscribers were duplicates by virtue of the additional SSN and DOB information. As noted above, TerraCom filed a downward revision within the deadline for doing so in order to make the fund whole. That being said, it is not clear that it was required to do so under FCC rules given that this information was not required to be collected at the time of these subscribers' enrollment.*



Appendix 1

Objective III, Procedure 3

Findings:

From the first sample of 50 we found a total of 6 sample items that had exceptions. One of the 6 had multiple exceptions. A description of the exceptions for the 6 sample items follows:

- 1) There were 5 tribal subscribers that did not check the box certifying to having an address on tribal lands.
- 2) One of the sample items did not contain the statements about lifeline being a Federal benefit and non-transferable nor did it contain the 1 per household explanations and definitions.
- 3) Because this error rate exceeded 5%, the second sample of 50 was examined.

TerraCom Response:

- 1) *The subscribers identified above do in fact reside on tribal land. At the time of these certifications, TerraCom verified (and continues to verify) that an applicant's address is located on Federally Recognized Tribal Land. The result, therefore, is that these subscribers were qualified for the Tribal benefit. Out of an abundance of caution, TerraCom established an internal audit process in early 2013 that will reject a Lifeline application if the applicant's address is located on Federally Recognized Tribal Land but the applicant nevertheless fails to complete the required Tribal certification.*
- 2) *Regarding the one form that did not contain the statements about Lifeline being a Federal benefit and non-transferable, such statements are now required under 47 CFR § 54.405(c) and 54.410(a)-(f). These rules went into effect May 1 and June 1, 2012, respectively. See 77 Fed. Reg. 25,609 (specifying that 47 C.F.R. § 54.405(c) became effective on May 1, 2012 and that 47 C.F.R. § 54.410(a)-(f) became effective on June 1, 2012). The certification identified as missing these two elements was a form in circulation prior to May 1, and was filled out by the applicant a mere three days after the June 1 effective date. The use of this form, therefore, was an administrative oversight.*

Objective III, Procedure 3

From the second sample of 50 we found a total of 4 sample items that had exceptions. Some of the 4 had multiple exceptions. A description of the exceptions for the 4 sample items follows:

- 1) All 4 of the exception sample items did not contain the Appendix A, 3i statement that Lifeline is a Federal benefit...
- 2) One of the 4 sample item did not include the one per household and nontransferable information at Appendix A, 3ii through 3vi.
- 3) One of the 4 sample items did not contain DOB and 2 did not contain the last 4 digits of the SSN.
- 4) One of the 4 was a tribal subscriber that did not certify to living on tribal lands
- 5) Two of the 4 sample items did not contain the statement in Appendix A, 3.a.viii(4) that the subscriber will inform TerraCom, Inc. if they change address.
- 6) One of the 4 sample items did not include the statement that the information is true and correct and did not inform the subscriber that providing false or fraudulent information is punishable by law.



Appendix 1

TerraCom Response:

The certification forms identified above were completed via phone and saved as audio files through a third party vendor. The statements and certifications required under 47 CFR § 54.405 and § 54.410(a)-(f) were made by each applicant per company policy applicable to its vendor but were inadvertently not included as part of the recorded portion of the call. Because the statements were provided contemporaneously with the recording of the call at the time of the applicant's enrollment, TerraCom was in compliance with 47 CFR § 54.405 and believes this should be considered, at most, an other matter and not a finding.

These applicants also provided their SSNs and DOBs to the representative at the time of enrollment. While this portion of the phone call was inadvertently not recorded as part of the audio file, TerraCom representatives did record the SSNs and DOBs in its database at the time of the subscriber's enrollment per company policy. Because the SSN and DOB were provided contemporaneously with the recording of the call at the time of the applicant's enrollment, TerraCom was in compliance with 47 CFR § 54.410 and believes this should be considered, at most, an other matter and not a finding.

TerraCom has changed its process (and vendors) such that now, all certifications and information required under 54.405 and 54.410 (a)-(f) are captured on the recorded audio file.

At the time of these certifications, TerraCom verified (and continues to verify) that an applicant's address is located on Federally Recognized Tribal Land. The result, therefore, is that the subscriber identified above was qualified for the Tribal benefit. Out of an abundance of caution, TerraCom established in early 2013 an internal audit process that will reject a Lifeline application if the applicant's address is located on Federally Recognized Tribal Land and the applicant fails to complete the required Tribal certification.

Objective IV, Procedure 5

Draft Finding:

There appears to have been a transposition error with the amount reported on column I of the Oklahoma SAC 439043 form 555. The amount on form 555 is 8,132 but the amount per Table 2 is 8,312.

TerraCom Response: In completing Form 555 for Oklahoma, the Manager of Regulatory Affairs transposed the amount reported on Column I, reporting 8,132 rather than 8,312. The company will file a corrected 555 with the FCC and USAC.

Signed:  Digitally signed by Dale Schmick
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Date: 2015.03.04 08:21:17
-06'00'
DALE R. SCHMICK

Title: Chief Operating Officer

Date: March 4, 2015

