

*VIA ECFS*

April 1, 2015

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

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

Dear Ms. Dortch:

Pursuant to paragraphs 9 and 15(c) of the FCC's General Standard Procedures for the Lifeline Biennial Audit, UTPhone, Inc. hereby submits the enclosed final Independent Accountant's Report on Applying Agreed-Upon Procedures for the year ended December 31, 2013.

Please contact us if you have any questions.

Sincerely,



Danielle Frappier  
Adam Shoemaker  
*Attorneys for UTPhone, Inc.*



Independent Accountants' Report  
On Applying Agreed-Upon Procedures  
UT Phone Inc.

To the Managements of UT Phone Inc., the Universal Service Administrative Company (USAC), and the Federal Communications Commission (FCC or Commission):

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,<sup>1</sup> solely to assist you in evaluating UT Phone 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. UT Phone, 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 Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (2011 Revision).<sup>2</sup> 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.<sup>3</sup>

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on UT Phone'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.

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<sup>1</sup> See *Wireline Competition Bureau Announces Release of Final Lifeline Biennial Audit Plan*, WC Docket No. 11-42, Public Notice, DA 14-450 (rel. Apr. 2, 2014).

<sup>2</sup> See U.S. Government Accountability Office, *Government Auditing Standards*, GAO 12-331G (rev. Dec. 2011).

<sup>3</sup> See 18 U.S.C. § 1028(d)(7) (definition of means of identification) and 47 U.S.C. § 222(h)(1) (definition of customer proprietary network information).

This report is intended solely for the information and use of the managements of UT Phone Inc., USAC, and the FCC, 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.

Stanfield; Brim P.C.

Lawton, Oklahoma  
March 27, 2015

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

**Objective 1: Carrier Obligation to Offer Lifeline**

***Procedure 1***

Stanfield & Brim, P.C. inquired of management on December 8, 2014 and obtained the carrier'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.

Stanfield & Brim, P.C. examined the carrier'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.

Stanfield & Brim, P.C. noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

No exceptions noted.

***Procedure 2***

Stanfield & Brim, P.C. inspected 5 examples (all available) 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, application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A of the Lifeline Biennial Audit Plan.

Stanfield & Brim, P.C. noted the inspected marketing materials contained the required information.

No exceptions noted..

***Procedure 3***

Stanfield & Brim, P.C. randomly selected 10 recorded calls for examination out of the 50 recorded calls, servicing the carrier's Lifeline subscribers, as provided in response to Item 8 of Appendix A.

In reviewing the 10 calls selected, Stanfield & Brim, P.C. noted that 1) 1 of the 10 calls involved the use of interactive voice response (IVR), 2) a live customer care representative was available for all calls, and 3) the average time spent on a call was 2 minutes and 56 seconds. Subscribers could use the telephone numbers both to notify the carrier of the subscriber's intent to cancel service and to notify the carrier that the subscriber no longer qualifies for Lifeline service. Stanfield & Brim, P.C. noted no statements made by a representative of the carrier in the recorded calls which misled the subscriber or conflicted with the Rules per CFR § 53, Subpart E.

No exceptions noted.

**Objective 1: Carrier Obligation to Offer Lifeline (continued)**

***Procedure 4***

Stanfield & Brim, P.C. inspected 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, and failure to recertify. De-enrollment for non-usage was not examined because the carrier charges a fee for service, so non-usage was not applicable for this carrier.

Stanfield & Brim, P.C. inspected the ETC's policies 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 CFR § 54.409, as provided in response to Item 4, Appendix A.

Stanfield & Brim, P.C. inspected 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). The carrier's 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 subscriber's household is receiving duplicative support, as required by §54.405(e)(2) of the Commission's rules.

Stanfield & Brim, P.C. reviewed 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. We selected a random sample of 30 subscribers (from the population identified in Item 9, i, j, and m of Appendix A) and inspected the sampled notice of impending de-enrollment letters, noting 1) that the communication includes an explanation that the subscriber has 30 days following the date of the notice of impending de-enrollment letter to demonstrate continued eligibility or the carrier will terminate the subscriber's Lifeline service, 2) if a de-enrollment letter was the means used to communicate impending de-enrollment it was sent separately from the subscriber's bill.

No exceptions noted.

**Objective 2: Consumer Qualification for Lifeline**

***Procedure 1***

Stanfield & Brim, P.C. inquired of management on December 8, 2014 and obtained the carrier's policies and procedures in response to Item 4 of Appendix A (Requested Documents) of the Lifeline Biennial Audit Plan for limiting Lifeline support to a single subscription per household.

Stanfield & Brim, P.C. examined the carrier'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.

Stanfield & Brim, P.C. noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

No exceptions noted.

***Procedure 2***

Stanfield & Brim, P.C. reviewed the procedures the carrier has in place to ensure it has accurately completed the FCC Form 497.

Stanfield & Brim, P.C. noted all required elements in the carrier's procedures.

No exceptions noted.

***Procedure 3***

Stanfield & Brim, P.C. compared the number of subscribers on the subscriber list for May of 2013 to the number of subscribers disclosed on the carrier's FCC Form 497 for the same month.

Stanfield & Brim, P.C. noted that the FCC Form 497 for May of 2013 was 20,199, while the number of subscribers noted on the list was 20,188.

Exception: A variance of 11 subscribers between the two documents was noted.

***Procedure 4 & 5***

Stanfield & Brim, P.C. used computer-assisted audit techniques to examine the subscriber list for duplicate addresses with different subscribers and created a list reflecting the results.

From the resulting list, Stanfield & Brim, P.C. randomly selected 30 subscribers and examined the one-per-household certification form obtained by the carrier 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.

No missing or incomplete certifications noted.

**Objective 3: Subscriber Eligibility Determination and Certification**

***Procedure 1***

Stanfield & Brim, P.C. inquired of management on December 8, 2014 and obtained the carrier's policies and procedures in response to Item 4 of Appendix A (Requested Documents) of the Lifeline Biennial Audit Plan for ensuring that its Lifeline subscribers are eligible to receive Lifeline services.

Stanfield & Brim, P.C. examined the carrier'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.

Stanfield & Brim, P.C noted no discrepancies between the carrier’s policies and procedures, management’s responses to the inquiries, and the Commission’s Lifeline rules.

No exceptions noted.

***Procedure 2***

Stanfield & Brim, P.C. examined the carrier’s policies and procedures for training employees and agents for ensuring that the carrier’s Lifeline subscribers are eligible to receive Lifeline services.

The carrier’s employees and agents receive “onboard” training that consists of one day of classroom training and three to four weeks of right seat/left seat training thereafter. The rules for ensuring subscribers are eligible to receive Lifeline services and the requirement to complete all necessary forms were included in the classroom training and reiterated throughout the right seat/left seat training.

Stanfield & Brim, P.C. observed that the carrier limits access to NLAD to select individuals. For the period under audit, NLAD was not in place, so the carrier did not have specific training requirements to ensure employees and agents were trained on the use of and interaction with the system.

***Procedure 3***

Stanfield & Brim, P.C. randomly selected 100 subscribers from the Subscriber List. For the first 50 selections, we applied the following tests:

1. Examined the subscriber certification/recertification forms, if any, to verify that they contain the following:
  - a. 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;
  - b. Only one Lifeline service is available per household;
  - c. 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;
  - d. A household is not permitted to receive Lifeline benefits from multiple providers;
  - e. 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;
  - f. Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person;
  - g. Require each prospective subscriber provide the following information:
    - i. Subscriber’s full name
    - ii. Subscriber’s full residential address
    - iii. Whether the subscriber’s residential address is permanent or temporary
    - iv. The subscriber’s billing address if different from the subscriber’s residential address

- v. The subscriber's date of birth
  - vi. The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number
  - vii. 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
  - viii. If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in §45.409, the number of individuals in his or her household
- h. Require each prospective subscriber to certify, under penalty of perjury, that:
- i. The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in §54.409
  - ii. The subscriber will notify the carrier within 30 days if for any reason he or she no longer satisfies 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
  - iii. 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)
  - iv. If the subscriber moves to a new address, he or she will provide that new address to the carrier within 30 days
  - v. The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service
  - vi. The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge
  - vii. The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law
  - viii. The subscriber acknowledges that the subscriber may be required to re-certify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to §54.405(e)(4).
2. Reviewed the list of the data source or documentation the carrier reviewed to confirm the subscriber's eligibility. Verified that recorded data sources are eligible data sources per 47 CFR §54.410.

Exception: Of the initial subscribers tested, Stanfield & Brim, P.C., noted one discrepancy. For one subscriber the verification date occurred after the date of service for service commencing after June 2012. This exception resulted in an error rate of 1/50 or 2%. We determined, per the instructions provided in the Biennial Audit Plan, that no further testing was necessary.

**Objective 4: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers**

***Procedure 1***

Stanfield & Brim, P.C. inquired of management on December 8, 2014 and obtained the carrier's policies and procedures in response to Item 12 of Appendix A (Requested Documents) of the Lifeline Biennial Audit Plan for ensuring that the carrier has made and submitted the annual certification required under §54.416 and 54.422 of the Commission's rules.

Stanfield & Brim, P.C. examined the carrier'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.

Stanfield & Brim, P.C. noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

No exceptions noted.

***Procedure 2***

Stanfield & Brim, P.C. examined the carrier's FCC Form 555 that was filed in January of 2014. We verified that an individual in an officer position for the carrier certified that he/she understands the Commission's Lifeline rules and requirements and that the carrier:

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

This carrier did not confirm consumer eligibility by relying on income or eligibility databases, so the Form 555 did not contain an attestation of specific data sources.

No exceptions noted.

***Procedure 3***

Stanfield & Brim, P.C. examined the carrier's organizational chart. We verified that the certifying officer on the FCC Form 555 is an officer per the organizational chart.

No exceptions noted.

***Procedure 4***

Stanfield & Brim, P.C. examined the FCC Form 555 and the February Form 497, noting agreement of the total subscriber count between the two documents.

No exceptions noted.

**Objective 4: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers (continued)**

***Procedure 5***

Stanfield & Brim, P.C. used the Recertification Sample to review the carrier's recertification results for individual subscribers reported on FCC Form 555 filed in January of 2014. We verified that the data reported on the FCC Form 555 for Oklahoma agreed to the detailed recertification results. Oklahoma is the only State in which the carrier receives Lifeline support.

No exceptions noted.

***Procedure 6***

Non-usage does not apply to this carrier – all subscribers are charged a fee.

***Procedure 7***

Stanfield & Brim, P.C. reviewed the carrier's annual ETC certification. We verified that the ETC reported all information and made all the certifications required by 47 CFR §54.422(a)(b).

No exceptions noted.

***Procedure 8***

No supporting schedules related to the carrier's annual ETC certification noted.

***Procedure 9***

Stanfield & Brim, P.C. inquired of management on December 8, 2014 and obtained the carrier's policies and procedures in response to Item 4 of Appendix A (Requested Documents) of the Lifeline Biennial Audit Plan for maintaining records that document compliance with Lifeline program rules.

Stanfield & Brim, P.C. examined the carrier'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 47 CFR §54.417.

Stanfield & Brim, P.C. noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

No exceptions noted.