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April 2, 2015

Via ECFS

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, NW
Washington, DC 20554

Re: WC Docket No. 11-42
Lifeline Biennial Audit of Smith Bagley, Inc.
Independent Accountants' Report On Applying Agreed-Upon Procedures for the
Period January 1 through December 31, 2013

Dear Ms. Dortch:

In accordance with the Wireline Competition Bureau's Public Notice released April 2, 2014 (DA 14-450), please find attached the final Independent Accountants' Report On Applying Agreed-Upon Procedures for the Period January 1 through December 31, 2013.

Should any questions arise, please contact the undersigned.

Sincerely,



David A. LaFuria
Steven M. Chernoff
Attorneys for Smith Bagley, Inc.



CliftonLarsonAllen LLP
www.claconnect.com

Smith Bagley, Inc.

**Independent Accountants' Report
On Applying Agreed-Upon Procedures
For The Period January 1 through December 31, 2013**

Performed In Accordance With

**The Federal Communications Commission Public Notice
DA-14-450 dated April 2, 2014
Lifeline Biennial Audit Plan**

Performed by CliftonLarsonAllen LLP

February 17, 2015

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Smith Bagley, Inc.
Show Low, AZ

We have performed the procedures in Appendix A, which were agreed to by Smith Bagley, Inc. (SBI) and CliftonLarsonAllen LLP (CLA), solely to assist SBI, the Federal Communications Commission (FCC), and the Universal Service Administrative Company (USAC) (collectively referred to as the responsible parties); with respect to the SBI's compliance with FCC Public Notice DA-14-450 dated April 2, 2014 (Public Notice) for the period January 1, 2013 through December 31, 2013 (funding year 2013).

This Agreed-Upon Procedures (AUP) 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 U.S. Government Accountability Office. The sufficiency of these procedures is solely the responsibility of the responsible parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged and did not conduct an examination, the objective of which would be the expression of an opinion on the agreed-upon procedures specified in FCC Public Notice. 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 SBI, the FCC, and the USAC and is not intended to be and should not be used by anyone other than these specified parties. However, this report will become a matter of public record when the final report is filed with the Federal Communications Commission.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, VA
February 17, 2015

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I - 1	Inquire of management and obtain carrier policies and procedures in response to Item 4 of Appendix A (Requested Documents) ³ for offering Lifeline service to qualifying low-income consumers. Examine the carrier policies and procedures, and compare management responses and carrier policies and procedure with the Commission’s Lifeline rules set forth in Appendix F. Note any discrepancy between the policies and procedures and the Commission’s rules.	No exceptions were found as a result of applying the procedure.
I - 2	<p>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, 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:</p> <ul style="list-style-type: none"> 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. <p>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.</p>	SBI only has a total of 7 marketing materials. No exceptions were found as a result of applying the procedures on the 7 marketing materials.
I - 3	Randomly select 10 recorded calls out of the 50 recorded calls, servicing the ETC’s Lifeline subscribers, as provided in response to Item 8 of Appendix A. In reviewing the 10 recorded calls, note 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. Also note whether the customer care telephone number(s) can be used by subscribers to notify the ETC of the subscriber’s intent to cancel service or give notification that the subscriber is no longer eligible to	No exceptions were found as a result of applying the procedure on 10 recorded calls.

¹ ID’s (Identification) prefixes such as I, II, III, IV referred to the Objectives in the Fieldwork Testing Procedures in the *FCC Public Notice DA 14-450, Released April 2, 2014, FCC Public Notice DA 14-450, Released April 2, 2014* (Public Notice)

² Source: Public Notice *pages 13 to 24*

³ Source: *Appendix A, Requested Documentation*, in FCC Public Notice refers to the documentation that must be provided by the Eligible Telecommunications Carrier (ETC).

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	receive service.	
I - 4	<p>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.</p> <p>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. 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 for failure to demonstrate eligibility. Identify any areas that are not in compliance with section 54.405(e)(1) of the Commission’s rules.</p> <p>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.</p> <p>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. Using the list provided in response to Item 10 in Appendix A, perform the following:</p> <p style="margin-left: 40px;">i. For subscribers listed as de-enrolled or scheduled for de-enrollment, select a sample of at least 10 accounts and request copies of the non-usage termination notifications sent to the subscribers.</p> <p style="margin-left: 40px;">ii. Examine the non-usage termination notifications to verify if the termination notifications explain that the subscriber</p>	<p>We reviewed SBI’s policies and procedures that includes the following:</p> <ul style="list-style-type: none"> • 47 CFR Part 54 • SBI Wireless Services Tariff • Income guidelines in applicable Arizona and New Mexico state laws • Non-usage Procedures <p>No exception noted in reviewing SBI’s policy and procedures for de-enrollment in procedures a, b, c, and d.</p> <p>For procedure c, we found that Utah did not have non-usage reported as de-enrolled during the audit period on the FCC Form 555 for the months of February, June, and September. We therefore randomly selected 10 subscribers/accounts from the Arizona and New Mexico population of 1,337 de-enrolled subscribers for the months of February, June, and September. No exceptions were found as a result of applying the procedures. A sample non-usage termination notification was included in our workpapers.</p> <p>For procedure d, no exceptions were found as a result of applying the procedures on a random</p>

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	<p>has 30 days following the date of the impending termination notification to use the Lifeline service. Note if any of the non-usage termination notifications do not include this information, as required by section 54.405(e)(3) of the Commission’s rules.</p> <p>iii. Attach a sample non-usage termination notification(s).</p> <p>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. For any subscribers identified in Item 9.i, j and m of Appendix A, select a random sample of at least 30 and request copies of the notice of impending de-enrollment letters and all other communications sent to the subscribers involving recertification and perform the following:</p> <p>i. Inspect 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 the carrier will terminate the subscriber’s Lifeline service. Note if any of the impending de-enrollment letters do not include this information.</p> <p>ii. Review the de-enrollment letters, and other forms of communications, and the carrier’s responses to the background questionnaire and verify through observation that the de-enrollment letters, if that form of communication was used, were sent by a method separate from the subscriber's bill (if a customer receives a bill from the carrier).</p> <p>iii. Attach a random sample of at least 5 examples of the impending de-enrollment letters to this procedure, and attach other forms of communications provided to the carrier</p>	<p>sample of 30 subscribers from a total population of 13,970 subscribers for Arizona, Mexico and Utah. Five examples of the letters were included in our workpapers.</p>
II - 1	<p>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 the policies and procedures. Compare management responses and carrier policies and procedures 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.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
II - 2	<p>Review procedures the carrier has in place to ensure it has</p>	<p>No exceptions were</p>

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	<p>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:</p> <ul style="list-style-type: none"> •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. <p>Document any exceptions and include in the audit report.</p>	<p>found as a result of applying the procedure.</p>
<p>II - 3</p>	<p>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. Examine the number of subscribers claimed on the Form(s) 497. 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.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
<p>II - 4</p>	<p>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.</p>	<p>Using IDEA data analysis software, we found duplicate addresses with different subscribers and created a list showing the results.</p>
<p>II - 5</p>	<p>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. Verify that the selected subscribers certified to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet. Note the number of missing or incomplete certifications. Even if subscribers enrolled in the program prior to June 2012, the effective date of</p>	<p>No exceptions were found as a result of applying the procedure.</p>

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	the one-per-household requirement, at least one subscriber at each address is required to complete a one-per-household worksheet.	
III - 1	<p>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 the policies and procedures. Compare management responses and carrier policies and procedures 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.</p> <p>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.</p> <p>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.</p>	No exceptions were found as a result of applying the 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. In the report, summarize the training requirements and ETC policies for ensuring employees and agents are trained on the use and interaction with the NLAD, limiting access to the NLAD to select individuals, and the rules for ensuring subscribers are eligible to receive Lifeline services and have completed all forms necessary to receive service. Include information provided 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.	<p>SBI does not have written policy and procedures for training employees. We discussed with an SBI officer their policy and current procedures on training. Below is CLA summary of the training requirements and policies described by the SBI officer.</p> <p>New sales employees are trained on site by sales supervisors. Typically, the new employee will shadow the supervisor for a few weeks before making any sales on their own. In those two</p>

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		<p>weeks, there are several opportunities for the new employee to observe subscribers being enrolled in the Lifeline program. The supervisor will walk the new employee through the certification forms and focuses heavily on the income and program eligibility requirements for the program. The income eligibility requirements are provided to the staff at the beginning of every year, and the supervisor explains what documentation is needed to prove eligibility for each program listed on the certification form. SBI has a trainer that conducts quarterly training at all SBI locations. The quarterly training sessions are for all sales associates and focuses on updates in policies and procedures. Those who cannot make the quarterly meetings are given the PowerPoint materials to review on their own. In addition, SBI creates its own training sessions in the mindflash module. The SBI trainer keeps track of who has attended and continues to contact the employee until the training is completed. Attendance at every training course</p>

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		<p>has not always been documented, but there have been new controls put in place so that if an employee does not take a required training, they are blocked in the system from making any sales. SBI representative stated that the quality control division of SBI randomly visits each office where sales are completed throughout the year to verify that sales agents are properly trained and knowledgeable about all SBI products, including Lifeline.</p> <p>The National Lifeline Accountability Database (NLAD) is designed to help carriers identify and resolve duplicate claims for Lifeline Program-supported service and prevent future duplicates. This is done by providing a means for carriers to check on a real-time and nationwide basis if the consumer is already receiving a Lifeline Program-supported service.</p> <p>New Mexico, Utah and Arizona did not require the use of the NLAD until March 2014; therefore the NLAD training was not applicable for funding</p>

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		year 2013.
III - 3	<p>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 and recertification forms. After performing the tests described below for the first 50 sampled subscriber, 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.</p> <p>a. Examine the subscriber certification forms, if any, to verify the forms contain the following information:</p> <ul style="list-style-type: none"> i. Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program; ii. Only one Lifeline service is available per household; iii. A household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together at the same address and share income and expenses; iv. A household is not permitted to receive Lifeline benefits from multiple providers; v. Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the 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: <ul style="list-style-type: none"> 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 	<p>No exceptions were found as a result of applying the procedures on 36 of the 50 sampled subscribers' certification and recertification forms (forms), as applicable.</p> <p>Of the remaining 14 of the 50 sampled subscribers, the forms were completed by the SBI employees instead of the subscribers because these were call-related. Therefore, procedure such as: a. x - <i>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 form</i> - could not be performed.</p> <p>However, we performed alternative procedures as follows: We examined the forms completed by the SBI employees based on the information obtained during the calls for the testing attributes in the procedures. The data in the forms are supported by the actual call recording (recorded calls) in Oaisys system, and the logistical data concerning the call (date, time, length of call, agent who</p>

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	<p>which the subscriber, his or her dependents, or his or her household receives benefits; and</p> <p>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.</p> <p>viii.Require each prospective subscriber to certify, under penalty of perjury, that:</p> <ol style="list-style-type: none"> 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 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). <p>ix.Compare the ETC's subscriber eligibility criteria on the certification forms to the federal eligibility criteria listed in per 47 C.F.R. § 54.409. Note any discrepancies. Note: The</p>	<p>took the call, in-bound or out-bound, etc.) is stored in another system (MITEL). SBI's policy is to save recorded calls in Oaisys for 10 years. However, SBI found out during the audit that Oaisys was only saving the call records for one year due to some programming errors. SBI hired forensic experts who were able to recover to the extent possible the recorded calls for the period January 1, 2012 through January 12, 2014. However, SBI could not identify from the recovered recorded calls the 14 sampled recertified subscribers. Accordingly, we were not able to match the data in the forms prepared by the SBI employees to the recorded calls. However, we were able to verify the calls occurred as evidenced in the Mitel system.</p> <p>See Appendix B for the management's comment on the finding, and CLA's comment.</p>

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	<p>ETC may list the eligibility criteria in its entirety or may allow the subscriber to note only his/her qualifying criterion on the form.</p> <p>x. 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 form.</p> <p>xi. Examine 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.</p> <p>xii. If applicable, verify subscribers who received Tribal Lifeline support certified to residing on Tribal lands.</p> <p>b. Review the list of the data source or documentation the ETC reviewed to confirm the subscriber’s eligibility. 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.</p>	
IV - 1	<p>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 and 54.422 of the Commission’s rules, as provided in Item 12 of Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission’s Lifeline rules set forth in sections 54.416 and 54.522 (Appendix F). Note any discrepancies between the policies and procedures and the Commission’s rules.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
IV - 2	<p>Examine the ETC’s FCC Form 555 that was filed the January following the audit period. 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:</p> <p>a. Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services;</p> <p>b. Is in compliance with all federal Lifeline certification</p>	<p>No exceptions were found as a result of applying the procedure.</p>

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	<p>procedures; and</p> <p>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(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.</p>	
IV - 3	<p>Examine the ETC's organizational chart provided 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.</p>	<p>No exceptions were found as a result of applying the procedure.</p>
IV - 4	<p>Verify that the subscriber count per the FCC Form 555 agrees with the total subscriber count per the February Form 497.</p> <p><i>Note: The FCC Form 555 is completed by the carrier at the state level (not the study area level). If the carrier has two study areas in one state, the carrier must combine the results of both study areas and complete one Form 555 for that state.</i></p>	<p>No exceptions were found as a result of applying the procedure.</p>
IV - 5	<p>For the month of February, the auditor shall: (i) randomly select one of the three states or territories where the ETC received the largest amount of Lifeline support and is responsible for the annual recertification process; ; and (ii) randomly select two additional states or territories where the ETC is responsible for the annual recertification process (Recertification Sample). In the event the ETC did not receive Lifeline support in at least 3 states or territories, the auditor shall select all of the states or territories where the ETC received Lifeline support during the audit period. Using the Recertification Sample, the auditor shall review the ETC'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. Verify that the data reported on the FCC Form 555 for those states agree with the detailed recertification results.</p>	<p>In performing the procedures, we found discrepancy between the recertification results and the subscribers reported on FCC Form 555.</p> <p>See Appendix C for the discrepancies, management's comment, and CLA's comment.</p>
IV - 6	<p>If the non-usage rule applies to the ETC, the auditor shall (i) randomly select three months during the audit period; (ii) randomly select one of the three states or territories where the ETC received the largest amount of Lifeline support; (iii) randomly select two additional states or territories where the ETC receives Lifeline support; and (iv) review the ETC's detailed non-usage results of the individual subscribers reported on the FCC Form 555 for those three randomly selected months within the three selected states, as provided in Item 10 of Appendix A</p>	<p>Utah did not have non-usage data in our sample months of February, June and September in 2013.</p> <p>No exceptions were found as a result of applying the procedures for the months of</p>

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	(Non-Usage Sample). In the event the ETC did not receive Lifeline support in at least 3 states or territories, the auditor shall select all of the states or territories where the ETC received Lifeline support during the audit period. Verify that the data reported on the FCC Form 555 for the Non-Usage Sample agrees with the detailed non-usage results.	<p>February and June for Arizona and New Mexico. However, we found differences between FCC Form 555 and the detailed data provided by SBI for the month of September 2013 as follows:</p> <p>Arizona: FCC Form 555 - 211 <u>Detailed Data - 210</u> <u>Difference - 1</u></p> <p>New Mexico: FCC Form 555 - 244 <u>Detailed Data - 245</u> <u>Difference - (1)</u></p>
IV - 7	Review the carrier's annual ETC certification, as provided in 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).	No exceptions were found as a result of performing the procedure.
IV - 8	Review any supporting schedules related to the carrier's annual ETC certification, as provided in Item 13 of Appendix A. Verify that the data reported on the annual ETC certification agrees with the supporting schedules.	No exceptions were found as a result of applying this 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 the policies and procedures. Compare the management responses and carrier policies 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.	No exceptions were found as a result of applying this procedure.

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Management's Comment on Finding in Procedure III-3 and CLA's Comment

Finding:

SBI could not identify from the recovered recorded calls the 14 sampled recertified subscribers. Accordingly, we were not able to match the data in the forms prepared by the SBI employees to the recorded calls. Also, certain procedures could not be performed on the 14 sampled recertified subscribers because the recertifications were call-related.

Management's Comment:

As noted in the audit finding, while the audio recordings themselves could not be recovered for 14 subscribers, the company has documented the fact that it conducted calls with each of the customers as part of the re-certification process and that the customers successfully re-certified their eligibility during those calls. The company's logistical data leave no doubt that the calls took place. And the company representatives' handwritten notes from those calls leave no doubt that the customers completed their re-certifications in the course of the calls.

This one-time accidental data loss did not render these 14 customers ineligible. The calls undeniably occurred, and written records of the customers' responses have been retained. The only thing missing are the audio recordings. This is the equivalent of having all of the completed paper forms, but with the signatures missing. Accordingly, the company submits that this should not be considered a material issue.

CLA's Comment:

As stated in our finding, we were not able to match the data in the forms prepared by the SBI employees to the recorded calls. However, we were able to verify the calls occurred as evidenced in the Mitel system. Also, our procedures did not include assessing the materiality of the finding, therefore, we do not provide any conclusion on SBI management's comment.

Smith Bagley, Inc.

APPENDIX C

Management's Comment on the Discrepancy CLA Identified in Performing Procedure IV-5 and CLA's Comment

Discrepancies Identified:

We compared the recertification results per SBI's detailed subscriber listing and the FCC Form 555 and identified the following discrepancies:

Arizona	Recertification Results per Detailed Subscriber Listing	Recertification Reported on FCC Form 555	Discrepancy - (over)/under on the FCC Form 555
Form 555 Box E	28,118	28,553	(435)
Form 555 Box F	9,079	8,644	435
Form 555 Box H	9,391	8,956	435
Form 555 Box I	5,977	5,543	434

New Mexico	Recertification Results per Detailed Subscriber Listing	Recertification Reported on FCC Form 555	Discrepancy - (over)/under on the FCC Form 555
Form 555 Box E	14,417	14,429	(12)
Form 555 Box F	4,773	4,761	12
Form 555 Box H	4,910	4,898	12
Form 555 Box I	3,142	3,130	12

Management's Comment:

The discrepancy between the customer data and the filed FCC Form 555s occurred because of errors in classifying certain customers who were the subject of a one-time FCC waiver.

The waiver, which applied only to the first annual re-certification required under the rules adopted in the 2012 Lifeline Reform Order (FCC 12-11), allowed the company three additional months, until April 1, 2013, to re-certify or de-enroll customers residing in Tribal areas ("Tribal customers"). The results were reported in dedicated FCC Form 555 filings on or before May 1, 2013.

Some Tribal customers who failed to re-certify by the extended deadline were not de-enrolled until March or April 2013, and were therefore included on the February 2013 FCC Form 497. These customers were appropriately reported in Column A, but SBI determined that they should be excluded from the CY 2013 re-certification results (i.e., Columns D through I) in order to avoid double-counting these de-enrollments. This was explained in the cover letters accompanying SBI's FCC Form 555 filings submitted in January 2014.

The errors occurred with respect to Tribal customers who were de-enrolled for failure to re-certify by April 1, 2013, and then re-enrolled with SBI later in 2013. Due to a data sorting error, those customers were mistakenly included in the re-certification results for CY 2013 as having been successfully re-certified. This accounts for the discrepancy of 12 on the NM Filing and for 46 out of the total Arizona discrepancy.

Smith Bagley, Inc.

APPENDIX C

Management's Comment on the Discrepancy CLA Identified in Performing Procedure IV-5 and CLA's Comment

For Arizona, due to a further data sorting error, the re-enrolled customers who were mistakenly added to the re-certification results in fact represented re-enrolled customers from Arizona, New Mexico and Utah combined.

SBI notes that these errors occurred solely in the context of complex data adjustments made necessary by the FCC's one-time waiver. These circumstances were unique and will not be repeated. Moreover, SBI agrees with the auditor's recommendation and has already incorporated the use of the template into its re-certification and FCC Form 555 compilation procedures. The use of that template has facilitated the proper classification of all of SBI's Lifeline customers for tracking and reporting purposes.

To be clear, this was purely a ministerial error in filling out Form 555. The customers in question did not improperly receive Lifeline discounts, nor did the company seek reimbursement for those customers outside of the time periods in which they were eligible. Accordingly, there is no financial impact whatsoever.

CLA's Comment:

CLA did not verify the response received from SBI, therefore, we do not provide any conclusions on SBI management's comment.