Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
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Request for Review by AT&T Inc. of	)	WC Docket No. 03-109
Decisions of Universal Service	)	
Administrator	)	

REQUEST FOR REVIEW BY AT&T INC. OF DECISION OF THE UNIVERSAL SERVICE ADMINISTRATOR

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I. STATEMENT OF INTEREST AND ISSUES

Pursuant to sections 54.719(c), 54.721 and 54.722 of the Commission's rules,[1] AT&T Inc., on behalf of its wholly owned subsidiaries Indiana Bell Telephone Company ("AT&T Indiana"), Southwestern Bell-Kansas ("AT&T Kansas"), and Southwestern Bell-Oklahoma ("AT&T Oklahoma") (collectively, the "Companies"), hereby seeks review of Universal Service Administrative Company ("USAC") Management Responses to the following Independent Accountant's Reports: LI-2006-195; LI-2006-207; and LI-2006-208, which, respectively, summarized audits of AT&T Indiana, AT&T Kansas, and AT&T Oklahoma's compliance with federal low-income requirements from September 30, 2004 through September 30, 2005.[2] The same third-party auditing firm audited all

[1] 47 C.F.R. §§ 54.719(c), 54.721, 54.722.

[2] *See* Appendix A (Letter to Steven Ellis, Indiana Bell Telephone Company, from USAC, High Cost and Low Income Division (dated June 19, 2008) (attaching two Indiana USAC Management Responses)); Appendix B (Letter to Steven Ellis, Southwestern Bell-Kansas, from USAC, High Cost and Low Income Division (dated June 19, 2008) (attaching two Kansas USAC Management Responses)). AT&T attaches a similar letter received from USAC concerning AT&T Oklahoma as Appendix C. USAC erroneously addressed the letter intended for AT&T Oklahoma to "Indiana Bell Telephone Company, Southwestern Bell-Kansas." *See* Appendix C (Letter to Steven Ellis, Indiana Bell

three affiliates and issued identical findings for two or all three carriers.[3] For ease of administrative review and efficiency, in this request for review, AT&T is appealing certain of these findings for all three carriers. In particular, the Companies seek review of USAC's erroneous conclusion that (1) they were required to maintain copies of certain records (Lifeline subscriber self-certifications) prior to the effective date of the Commission's rule requiring eligible telecommunications carriers ("ETCs") to retain such records; (2) they did not comply with a Commission rule because they were unable to obtain reseller certifications from several resellers, despite making repeated requests to the resellers to provide these certifications and due to the fact that the Commission's rule does not require resellers to provide certifications to the Companies; (3) they were required to advertise toll blocking and all other supported services set forth in 47 C.F.R. § 54.101(a) in their Lifeline advertisements; and (4) they were required to populate Line 9 of FCC Form 497 (Lifeline and Link-Up Worksheet) with partial or pro-rata dollars

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Telephone Company, Southwestern Bell-Kansas, from USAC, High Cost and Low Income Division (dated June 19, 2008) (attaching two Oklahoma USAC Management Responses)). *See also* Appendix D (Letter to Indiana Bell Telephone Company, USAC, and FCC, from Thompson, Cobb, Bazillo & Associates, PC (dated April 5, 2007) ("Indiana Independent Accountant's Report")); Appendix E (Letter to Southwestern Bell-Kansas, USAC, and FCC, from Thompson, Cobb, Bazillo & Associates, PC (dated April 5, 2007) ("Kansas Independent Accountant's Report")); Appendix F (Letter to Southwestern Bell-Oklahoma, USAC, and FCC, from Thompson, Cobb, Bazillo & Associates, PC (dated April 5, 2007) ("Oklahoma Independent Accountant's Report")).

[3] This same firm also audited AT&T Texas's compliance with the Commission's low-income rules. For whatever reason, USAC issued its management letter to AT&T Texas last year, informing the carrier that it had 60 days to appeal the findings. AT&T Texas filed its appeal on January 7, 2008. The Commission sought and received comment on this appeal. One of the findings that the Companies are appealing is identical to the issue that AT&T Texas appealed (i.e., partial month reporting). Unlike AT&T Texas, the Companies received their letters informing them of their right to file an appeal almost seven months later, on June 19, 2008.

attributable to Lifeline subscribers who both entered and left the Lifeline program during any given month, regardless of whether the Companies sought partial or pro-rata dollars from USAC. For reasons provided below, the Companies request that the Wireline Competition Bureau ("Bureau") or Commission reverse these incorrect audit findings.[4]

II. STATEMENT OF FACTS

All eligible telecommunications carriers ("ETCs"), such as the Companies, are required to provide discounts on the cost of receiving telephone service to qualifying low-income consumers.[5] ETCs, in turn, are permitted to receive support from the federal low-income support mechanism for providing such discounts to their qualifying customers.[6]

Document Retention Rule. In its 2004 *Lifeline and Link-Up Order and FNRPM*, the Commission clarified its rules to require ETCs to retain consumer self-certifications regarding eligibility, among other documents, for as long as the consumer receives Lifeline service from the ETC or until the ETC is audited by USAC.[7] This rule,

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[4] We note that there is no monetary value associated with three of the four audit findings. For the finding concerning retroactive application of the Commission's requirement that ETCs retain copies of Lifeline self-certifications, the amount of Lifeline support at issue is $1,181.00. As explained below, AT&T believes that this figure, at most, should be $68.55. Reversing USAC's incorrect conclusions, thus, will have virtually no financial impact on the universal service fund.

[5] 47 C.F.R. § 54.405.

[6] 47 C.F.R. § 54.407.

[7] *Lifeline and Link-Up*, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, paras. 37-39 (2004) (*Lifeline and Link-Up Order and FNPRM*). In an order that became effective last October, the Commission modified this rule to delete the reference to "or until audited by [USAC]." *See Universal Service Fund Oversight Order*, 22 FCC Rcd 16372, para. 25 (2007).

54.417(a), became effective May 12, 2005.[8] The independent auditor retained by USAC to audit the Companies' compliance with the federal low-income rules found fault with the Companies' inability to produce copies of Lifeline subscriber self-certifications for periods that either predated May 2005 or included all of May 2005. Specifically, in Indiana, the auditors requested copies of self-certifications for November 2004 and January 2005;[9] in Kansas, the auditors requested copies of self-certifications for May 2005;[10] and in Oklahoma, the auditors requested copies of self-certifications for March 2005 and May 2005.[11] USAC concurred with the auditor's finding, stating that the Companies could not "prove that [their] subscribers were eligible for Lifeline during the audit period" and indicating that it will recover support for those subscribers for whom the Companies could not provide copies of self-certifications during the audited months.[12]

Reseller Certifications. In the 2004 *Lifeline and Link-Up Order and FNPRM*, the Commission also required non-ETC resellers to comply with the Commission's and states' low-income rules (e.g., obtaining required documentation from consumers).[13] This order also required ETCs who sell Lifeline-discounted wholesale services to non-

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[8] 70 Fed. Reg. 30110 (2005).

[9] Appendix D (Indiana Independent Auditor's Report, Attachment 3 at 7-8).

[10] Appendix E (Kansas Independent Auditor's Report, Attachment 3 at 7-8).

[11] Appendix F (Oklahoma Independent Auditor's Report, Attachment 3 at 7-8).

[12] Appendix A (explaining that it would recover $342.00 from AT&T Indiana); Appendix B (explaining that it would recover $436.00 from AT&T Kansas); and Appendix C (explaining that it would recover $403.00 from AT&T Oklahoma).

[13] *Lifeline and Link-Up Order and FNPRM* at para. 40. *See also* 47 C.F.R. § 54.417(b).

ETCs to obtain a certification from the non-ETC reseller that it is complying with the Commission's low-income rules.[14] As drafted, and codified, the rules do not require non-ETCs to provide certifications of compliance to their ETC wholesale providers. Instead, the Commission's rules place the burden of obtaining non-ETC certifications on the ETC.[15] The independent auditor reviewing AT&T Kansas and AT&T Oklahoma's compliance with the federal low-income rules found that these two affiliates did not comply with rule 54.417(a) because they failed to "take additional action to ensure that all resellers annually provide certifications of compliance with FCC Lifeline and Link Up requirements."[16] USAC concurred with the auditor's finding, noting that AT&T Kansas and AT&T Oklahoma "should ensure that [they] *retain* reseller certifications in accordance with the federal rules."[17] (Emphasis added).

Advertising Toll Blocking. The Commission's rules require ETCs to "[p]ublicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service."[18] There are a number of benefits associated with Lifeline service, including free toll blocking, waivers of certain taxes and fees, and waiver of the

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[14] *Lifeline and Link-Up Order and FNPRM* at para. 40.

[15] *See* 47 C.F.R. § 54.417(a) ("If an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline/Link-Up programs.").

[16] Appendix E (Kansas Independent Accountant's Report, Attachment 3 at 9-11); Appendix F (Oklahoma Independent Accountant's Report, Attachment 3 at 9-11).

[17] Appendix B (Kansas First USAC Management Response at 1); Appendix C (Oklahoma First USAC Management Response at 1-2).

[18] 47 C.F.R. § 54.405(b).

subscriber line charge (SLC). To date, neither the Commission's rules nor orders detail the information that must be included when an ETC publicizes the availability of Lifeline service. The independent auditor reviewing AT&T Kansas and AT&T Oklahoma's compliance with the federal low-income rules found that these two affiliates failed to offer toll blocking to Lifeline subscribers and advertise free toll blocking service.[19] USAC concurred with the auditor's finding, stating that ETCs "are required to advertise all services supported under 47 C.F.R. § 54.101(a)."[20]

Partial Month Reporting. The Commission created a monthly worksheet (FCC Form 497) for ETCs to complete and file with USAC each quarter to request reimbursement for their participation in the Commission's low-income programs.[21] This form provides fields for ETCs to report the monthly number of low-income subscribers for whom federal support is claimed.[22] In addition, the instructions to this form state:

> "If claiming partial or pro-rata dollars, check the box on line 9. Enter the dollar amount (if applicable) for all partial or pro-rated subscribers. Amount should be reported in whole dollars, and may be positive or negative, depending on whether there are more new subscribers being added part way through a month or more subscribers disconnecting during the reported month. DO NOT include partial or pro-rata amounts on lines 5-8."[23]

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[19] Appendix E (Kansas Independent Accountant's Report, Attachment 3 at 11-12); Appendix F (Oklahoma Independent Accountant's Report, Attachment 3 at 11-12).

[20] Appendix B (Kansas First USAC Management Response at 12); Appendix C (Oklahoma First USAC Management Response at 2).

[21] FCC Form 497 and instructions available at: http://www.universalservice.org/li/telecom/step06/form497.aspx.

[22] *See* Lines 5(a) (for Tier 1 support), 6(a) (for Tier 2 support), 7(a) (for Tier 3 support), and 8(a) (for Tier 4 support).

[23] *See* Instructions for Lifeline and Link Up Worksheet at 4.

The independent auditor selected by USAC to audit the Companies' compliance with the federal low-income requirements concluded that their practice of reporting all Lifeline subscriber counts using Lines 5-8 was incorrect and that the Companies must, in addition, use Line 9 to report Lifeline subscribers who began and ended service during any given month.[24] As noted in the Independent Accountant's Reports, the Companies use their billing systems to capture the number of Lifeline subscribers at the end of each month and report this figure in their FCC Form 497 filings. The auditor recommended that the Companies "take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered and left the Lifeline program when determining the amount of Lifeline support claimed on the FCC Form 497 each month." In its Management Responses, USAC concurred with the auditor's recommendation and concluded that ETCs are required to use Line 9 if they gain or lose Lifeline customers mid-month.[25]

In support of their assertion that the Commission does not require ETCs to use Line 9, the Companies explained that in September 2004, the Commission announced that it was amending FCC Form 497 to require ETCs to report the number of Lifeline subscribers receiving federal support for part of the month and the number of service days those subscribers received support.[26] The revised form was to take effect October

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[24] Appendix D (Indiana Independent Auditor's Report, Attachment 3 at 8-10); Appendix E (Kansas Independent Auditor's Report, Attachment 3 at 13-15); Appendix F (Oklahoma Independent Accountant's Report, Attachment 3 at 13-16).

[25] *See* Appendix A (Indiana Second USAC Management Response at 1-2); Appendix B (Kansas First USAC Management Response at 2-3); Appendix C (Oklahoma First USAC Management Response at 2-3).

[26] *See Wireline Competition Bureau Announces Effective Date of Revised Form 497 Used to File Low Income Claims with USAC*, WC Docket No. 03-109, Public Notice, DA 04-

15, 2004. After release of this Public Notice, many carriers, including representatives of AT&T, met with Bureau staff to express opposition to this new requirement because of their inability to track and calculate pro-rata support attributable to subscribers who obtain Lifeline service for only part of a month. In response to ETC concerns about the revised form, the Commission delayed, and later suspended indefinitely, adoption of the new form.[27]

III. ARGUMENT

A. USAC Cannot Retroactively Apply the Commission's Document Retention Rule.

The Commission should reject USAC's erroneous conclusion that the Companies were required to retain copies of their Lifeline subscribers' self-certifications prior to May 12, 2005, the effective date of the Commission's Lifeline document retention rule, 54.417.[28] There can be no question that the Commission clearly intended this rule to be

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3016 (rel. Sept. 21, 2004). *See* Appendix G (copy of the revised instructions and form that were supposed to take effect on October 15, 2004).

[27] *Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support*, WC Docket No. 03-109, Public Notice, DA 04-3188 (rel. Oct. 4, 2004); *Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support Until Further Notice*, WC Docket No. 03-109, Public Notice, DA 05-604 (rel. Mar. 4, 2005).

[28] Qwest filed a request for review of USAC's finding that it, too, was required to retain copies of its Lifeline subscribers' self-certifications prior to the effective date of Rule 54.417. *See* Request for Review by Qwest Communications International, Inc. of Decision of Universal Service Administrator, WC Docket No. 03-109 (filed April 25, 2008) (Qwest Request). The Commission has already sought and received comment on this appeal. *See Comment Sought on Qwest Request for Review of a Decision of the Universal Service Administrative Company Concerning Audit Findings Relating to the Low-Income Program, Pleading Cycle Established*, WC Docket No. 03-109, Public Notice, DA 08-1144 (rel. May 15, 2008). AT&T and others filed comments in support of

prospective. Indeed, it took over one year for this rule to become effective after the Commission adopted it in its April 2004 *Lifeline and Link-Up Order and FNPRM*. In order for the Companies to comply with the auditor and USAC's demands, they would have had to require all of their Lifeline subscribers who began receiving service prior to May 12, 2005 to re-certify. The Commission's order establishing this rule plainly did not require ETCs to undertake such an endeavor. Moreover, as AT&T explained in its comments in support of Qwest's appeal, such a requirement would clearly confuse affected Lifeline subscribers and, perhaps, many would be reluctant to re-certify under penalty of perjury as to the exact start date of Lifeline service because of their uncertainty about the precise date in which they commenced their Lifeline service years earlier.

As explained by Qwest in its appeal, it is well-settled that administrative rules are not to be construed to have retroactive effect unless Congress has clearly expressed such an intention.[29] Even applying the most creative interpretation to the Communications Act of 1934, as amended, the Commission could not find support for the assertion that Congress intended it to require ETCs to retroactively obtain Lifeline subscriber self-certifications. If the Commission lacks the authority to make this record retention requirement retroactive, which it does, USAC clearly does too; thus, the Commission should reverse this erroneous USAC finding and direct USAC to refund any reimbursement that USAC recovers from the Companies for this issue, consistent with the following information:

Qwest's appeal, including this issue. *See, e.g.*, AT&T Comments at 4-5, WC Docket No. 03-109 (filed June 16, 2008).

[29] Qwest Request at 11 (citing *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208 (1988)).

- AT&T Indiana: The auditor requested copies of self-certifications for 60 sample subscribers from November 2004 and January 2005. Both sample months predate the effective date of Rule 54.417(a) and, therefore, the Commission should direct USAC to refund all monies recovered from AT&T Indiana for this issue.
- AT&T Kansas: The auditor requested copies of self-certifications for 60 sample subscribers from May 2005.[30] Contrary to the information contained in the auditor's report, AT&T Kansas provided copies of 25 self-certifications, not 10. Moreover, 32 of the alleged missing self-certifications were attributable to CLEC Lifeline customers, which should not have been included in the count, consistent with the auditor's final report for AT&T Oklahoma. Of the remaining three subscribers in the sample, AT&T Kansas has been unable at this time to confirm when those subscribers commenced Lifeline service. If AT&T Kansas is able to determine the start dates for these customers, it will supplement the record in this proceeding. If the carrier is unable to determine this information, the most that USAC should recover from AT&T Kansas is $26.13.
- AT&T Oklahoma: The auditors requested copies of self-certifications for 60 sample subscribers from March 2005 and May 2005. Again, because March 2005 predates the effective date of Rule 54.417(a), the Commission should direct USAC to refund any money recovered from AT&T Oklahoma for this issue during this month. Of the 60 sample subscribers for May 2005, AT&T Oklahoma provided 6 certifications, not 5 as indicated in the auditor's report, and 27 of the missing certifications were attributable to CLEC customers. Of the remaining 27 certifications, AT&T Oklahoma has determined that 21 of those customers commenced Lifeline service prior to May 2005 (indeed, all 21 began Lifeline service with the carrier before 2003). AT&T Oklahoma has been unable at this time to determine when the six remaining customers began receiving Lifeline service from the carrier. Like AT&T Kansas, it continues to investigate and will supplement the record once it obtains any additional information. If it is unable to determine when these six customers began receiving Lifeline service, the most that USAC should recover from AT&T Oklahoma is $42.42.

[30] Unlike the other Companies, the auditor selected only one month, May 2005, to sample for AT&T Kansas's compliance with Rule 54.417(a). USAC's statement in its Management Response regarding "two sample months" is thus incorrect. *See* Appendix B (Kansas First USAC Management Response at 1).

B. ETCs Do Not Violate Rule 54.417(a) When Non-ETC Resellers Refuse to Provide Certifications.

The Commission should reject USAC's conclusion that AT&T Kansas and AT&T Oklahoma failed to "retain" reseller certifications in violation of the Commission's Rule 54.417(a).[31] AT&T Kansas and AT&T Oklahoma annually request a certification from each reseller that it is complying with the Commission's Lifeline and Link-Up requirements. While the carriers request these certifications on an annual basis[32] in accordance with established procedures that have, in large part, proven successful in obtaining annual reseller certifications, not every reseller complies with the AT&T Kansas and AT&T Oklahoma's request. Indeed, while under Commission rules, ETCs are required to obtain certifications from resellers, there is no corresponding requirement imposed on resellers that they must *provide* those certifications to their wholesale providers.[33]

As explained to the auditors, the carriers' procedures to obtain these certifications include repeated verbal follow-up by the Account Managers of CLECs that have not returned a signed certification by the requested date. In addition, AT&T Kansas and AT&T Oklahoma's resale agreements also contain language addressing the CLEC's

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[31] The auditor did not fault AT&T Kansas and AT&T Oklahoma for failing to "retain" reseller certifications; instead, the auditor found that these carriers violated Rule 54.417(a) because, essentially, they were unable to force several of their non-ETC resellers to provide them certifications of compliance. Moreover, as noted in Section III.A, it is unclear how a carrier can violate a rule, 54.417(a), which was not yet in effect during the period being audited.

[32] The carriers note that the Commission's rule is silent about how frequently ETCs must collect these certifications. Erring on the side of caution, AT&T's ETCs seek to obtain these certifications on an annual basis. AT&T recommends that the Commission clarify how often non-ETC resellers must update these certifications.

[33] 47 C.F.R. § 54.417(b)

responsibility when purchasing Lifeline Service from the carriers on a resale basis. The following is an example of the type of language in those agreements.

> "Where available for resale according to associated retail state specific tariffs, CLEC may only resell AT&T low income assistance services (e.g. Lifeline and Link-Up services) to persons who are eligible for each such service. Further, to the extent CLEC resells services that require certification on the part of the End User, CLEC shall ensure that the End User meets all associated tariff eligibility requirements, has obtained proper certification, continues to be eligible for the program(s), and complies with all rules and regulations as established by the appropriate Commission and the state specific AT&T tariffs."

While AT&T Kansas and AT&T Oklahoma make good faith efforts to obtain reseller certifications each year, there are a number of resellers that fail to return these certifications. Previously, the carriers have evaluated their options on how to respond to these resellers (including, rejecting new orders placed by that reseller, removing the existing Lifeline discounts from that reseller's account, and disconnecting that reseller's service). Due to concerns about the carriers' ability to take this action pursuant to the terms of their interconnection or resale agreements absent a Commission order directing wholesale providers to do so (in which case the agreements' change of law provisions would apply) and legitimate policy concerns about disconnecting a Lifeline subscriber's service due to the failure of its CLEC provider to produce a certification to AT&T Kansas or AT&T Oklahoma, the carriers have not attempted to implement the aforementioned actions with respect to non-responding CLECs. AT&T recommends that the Commission modify its rules to make clear that resellers have the obligation to provide certifications (either annually or on a one-time basis) to their underlying wholesale providers. Such a framework is consistent with the Commission's reseller certification rules in the universal service contribution context.[34] In any event, the Commission should reject USAC's erroneous finding that the carriers violated Rule 54.417(a) because certain of their resellers refused to provide them with certifications.

C. ETCs Are Not Required to Specifically Advertise Toll Blocking and Other Supported Services in Rule 54.101(a) When Publicizing the Availability of Lifeline Service.

The Commission should reject USAC's incorrect conclusion that ETCs are required to advertise all of Rule 54.101(a)'s supported services when publicizing the availability of Lifeline service, pursuant to Rule 54.405(b).[35] Although not specifically mentioned in USAC's Management Responses for AT&T Kansas and AT&T Oklahoma, the auditors also found that these carriers failed to offer toll blocking service to Lifeline subscribers, stating that these carriers' "service representatives sign subscribers up for toll limitation service only if the subscribers ask."[36] As a factual matter, that statement is not correct. AT&T Kansas and AT&T Oklahoma believe that the statement attributed to an AT&T official in the audit reports may have been misconstrued by the auditors. In non-automatic enrollment states such as Kansas and Oklahoma, subscribers "enroll" in Lifeline by completing a written application form and providing proof of eligibility. Consequently, the ETCs cannot simply enroll inquiring customers in the Lifeline program over the phone (and offer and enroll them in free toll blocking at that time), as the

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[34] *See, e.g.*, Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A at 18-19 (stating that reselling carriers "must certify" to the underlying carrier certain information) (2008).

[35] Appendix B (Kansas First USAC Management Response at 2); Appendix C (Oklahoma First USAC Management Response at 1-2).

[36] Appendix E (Kansas Independent Auditor's Report, Attachment 3 at 11-12); Appendix F (Oklahoma Independent Accountant's Report, Attachment 3 at 11-12).

Commission's Rule 54.401(a)(3) seems to contemplate.[37] If an interested person contacts AT&T Kansas or AT&T Oklahoma to inquire about Lifeline, the customer service representatives are trained to discuss all of the benefits of Lifeline, including free toll blocking. The carriers' customer service representatives have been trained in this regard since 2001. Furthermore, if an existing customer obtains toll blocking from AT&T Kansas or AT&T Oklahoma for a fee and that customer later is enrolled in Lifeline service, these carriers will automatically convert that customer to free toll blocking.

In addition, the Commission's rules do not require ETCs to advertise or otherwise publicize the availability of free toll blocking specifically, or the other services and/or functionalities that must be provided with Lifeline service (e.g., dual tone multi-frequency signaling or its functional equivalent, single-party service or its functional equivalent).[38] Rather, the rules require only that an ETC "[p]ublicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service."[39] The rules thus do not require an ETC to specifically enumerate and/or explain each of the benefits of Lifeline service (such as benefits relating to the SLC, toll restriction, certain taxes and fees, and additional Tier Two discounts) in media of general distribution. The Commission should thus find that the carriers' practice of informing inquiring Lifeline subscribers of all of the benefits of Lifeline service, including toll blocking, is consistent with its rules.

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[37] 47 C.F.R. § 54.401(a)(3) ("The carriers shall offer toll limitation to all qualifying low-income consumers at the time such consumers subscribe to Lifeline service.").

[38] 47 C.F.R. § 54.101(a).

[39] 47 C.F.R. § 54.405(b).

D. ETCs Are Not Required to Report Partial Month Lifeline Subscribers on Line 9 of FCC Form 497.

The Commission should reject USAC's erroneous conclusion that ETCs are *required* to use Line 9 of FCC Form 497 to report the numbers of Lifeline subscribers who began and ended Lifeline service during any given month. USAC's interpretation of the Commission's instructions to the form is clearly at odds with the Commission's deliberate decision *not* to require ETCs to do just that. By suspending indefinitely the proposed revision to FCC Form 497 that would have required all ETCs to track the precise start and stop date of every Lifeline subscriber and to calculate pro-rated support for each of these subscribers, the Commission acknowledged that many, or perhaps, most ETCs simply do not have any mechanized ability to do so. Plainly, if the Commission had intended to require, rather than permit, ETCs to seek pro-rated support for Lifeline subscribers who take service for only a part of a month, it would have adopted the new form. The fact that it did not do so established that there currently is no requirement that carriers use Line 9 of the form to separately report and seek pro-rated support for such customers.

USAC contends that the Commission declined to adopt its new form requiring ETCs to separately state partial month Lifeline subscribers because its proposed formula was too complicated but that the Commission has always intended Line 9 to be mandatory when an ETC has a single Lifeline subscriber who begins or ends service during the month.[40] Such an assertion has no merit and is contrary to the plain reading of

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[40] *See* Appendix A (Indiana Second USAC Management Response at 1-2); Appendix B (Kansas First USAC Management Response at 2-3); Appendix C (Oklahoma First USAC Management Response at 2-3).

the Commission's instructions, which state "*If* claiming partial or pro-rata dollars, check the box on line 9."[41] Indeed, the Companies (and all other ETCs) would have to ignore this sentence of the instructions, and the form itself, for USAC's interpretation to have any validity. USAC does not and cannot cite to any Commission precedent to support its view since the Commission has never discussed in any of its orders the manner in which ETCs should report such Lifeline subscribers.[42] The language of the current instructions and form has been in effect since October 2000. If the Commission were concerned about how ETCs were reporting Lifeline subscribers who began or ended service during the month, it has had over seven years within which to act. There can be no question that, for over three years, the Bureau has been aware that numerous large ETCs follow the Companies' practice of using Lines 5 through 8, and not 9, to report all of their Lifeline subscribers but has chosen not to mandate partial month reporting.

The auditor and USAC do not suggest, nor can they, that, by not using Line 9 to report subscribers obtaining partial monthly support, the Companies are somehow profiting from their participation in the Lifeline program. Based on their experience, the Companies have no reason to believe that they have more Lifeline subscribers at the beginning of a month than at the end of a month (or vice versa). The Companies count the number of Lifeline subscribers they have in their billing systems at the end of the

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[41] Instructions for Lifeline and Link Up Worksheet at 4 (emphasis added). *See also* FCC Form 497 (directing ETCs to "[c]heck box to the right if **partials** or **pro rata amounts** are used." Emphasis in original).

[42] USAC merely cites to Rule 54.407(c), which requires ETCs to maintain accurate records of the revenues they forgo in providing Lifeline service. 47 C.F.R. § 54.407(c). *See* Appendix A (Indiana Second USAC Management Response at 2); Appendix B (Kansas First USAC Management Response at 3); Appendix C (Oklahoma First USAC Management Response at 3).

month (*e.g.*, 30th or 31st). If, for example, a carrier provides service to a Lifeline customer from the first of the month through the 29th of the month, when the customer disconnects his or her service, it would not include that particular customer in its monthly FCC Form 497 filing even though it provided discounted Lifeline service to that particular subscriber for almost the entire month. In other words, for that customer, that carrier would have provided the Lifeline subsidy but would not have sought reimbursement from USAC for that customer. On the other hand, if that carrier begins providing Lifeline service to a new subscriber sometime after the first of the month and continues providing service through the end of the month, it would include that customer in its monthly count and would receive the full reimbursement for that subscriber.

Obviously, the Companies have little control over when a Lifeline customer begins and terminates his or her service during the month. Lifeline customers, like all customers, are billed on different cycles throughout the month.[43] The Companies process Lifeline subscriber additions and deletions in the same manner and, as a result, the Companies' contention that, over time, the amount of support claimed in their FCC Form 497 filings for those partial month subscribers "comes out in the wash" is correct.

As noted above, the Companies use their billing systems to obtain the number of subscribers receiving the Lifeline discount at the end of each month. In order for them to separately track the number of Lifeline subscribers who begin and end their service during the month, at a minimum, the Companies would have to extract this information from their billing systems on a daily basis. They would then have to calculate the pro-

[43] The Companies have as many as 15 billing cycles, running on odd days from the 1st of the month through the 29th of the month.

rated support for each subscriber. Given the number of Lifeline customers served by the Companies, this could be a significant undertaking. Moreover, based on the Companies' experience, these numbers are not static as USAC seems to suggest.[44] Even if it were feasible to report partial month subscribers, and the Companies are not conceding that it is, such a task would be extremely burdensome and, thus, the Companies have chosen not to claim partial support by populating Line 9 on the FCC Form 497.

If the Commission decides to revisit the issue of requiring all ETCs to report partial month Lifeline subscribers, it must do so through notice and comment so that AT&T and all other interested parties may explain in detail any technical or administrative impediment to complying with such a new proposed requirement. The Bureau has no authority to impose this new requirement on the Companies alone and certainly should not do so in the context of an audit. The Commission therefore should reject USAC's conclusion in response to this issue.

IV. CONCLUSION

For the reasons provided above, AT&T respectfully requests the Commission to reject USAC's incorrect Management Responses and find that (1) the Companies were not required to retain copies of their subscribers' self-certifications prior to the effective date of the Commission's Lifeline document retention rule (i.e., May 12, 2005); (2) AT&T Kansas and AT&T Oklahoma did not violate Rule 54.417(a) because they were unable to force certain non-ETC resellers to provide them with certifications; (3) AT&T Kansas and AT&T Oklahoma were not required to advertise or otherwise publicize the

[44] *See* Appendix A (Indiana Second USAC Management Response at 2); Appendix B (Kansas First USAC Management Response at 3); Appendix C (Oklahoma First USAC Management Response at 3) ("A company might have months in which it neither lost nor gained Lifeline customers.").

availability of free toll blocking specifically, or the other services and/or functionalities that must be provided with Lifeline service in media of general distribution; and (4) the Companies practice of reporting all Lifeline subscribers on Lines 5 through 8 is permissible.

Respectfully Submitted,

/s/ Cathy Carpino
Cathy Carpino
Gary Phillips
Paul K. Mancini

AT&T Inc.
1120 20th Street NW
Suite 1000
Washington, D.C. 20036
(202) 457-3046 – phone
(202) 457-3073 – facsimile

August 18, 2008

Its Attorneys

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20054

In the Matter of	)	
	)	
	)	
Request for Review by AT&T Inc.	)	WC Docket No. 03-109
of Decision of Universal Service	)	
Administrator	)	

DECLARATION OF STEPHEN W. ELLIS

I, Stephen W. Ellis, do hereby, under penalty of perjury, declare and state as follows:

1. My name is Stephen W. Ellis. I am a Lead Cost Accountant – Regulatory Accounting with AT&T Services, Inc., a wholly owned subsidiary of AT&T Inc. In that capacity, I am familiar with the terms by which AT&T-Indiana, AT&T Kansas and AT&T Oklahoma have completed FCC Form 497 filings, including how they have reported Lifeline subscribers on this form.

2. In accordance with Commission rules, 47 C.F.R. § 54.721(b)(2), I have reviewed the factual assertions set forth in the appeal regarding the FCC Form 497 filings and hereby certify that they are true and correct to the best of my knowledge.

Stephen W. Ellis
Name

Dated: 8/18/08

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20054

In the Matter of	)	
	)	
	)	
Request for Review by AT&T Inc.	)	WC Docket No. 03-109
of Decision of Universal Service	)	
Administrator	)	

DECLARATION OF MARY JO WENCKUS

I, Mary Jo Wenckus, do hereby, under penalty of perjury, declare and state as follows:

1. I am a senior product marketing manager with AT&T Operations, Inc., a wholly owned subsidiary of AT&T Inc. In that capacity, I have responsibility for the product management and compliance for the Lifeline/Link-Up program in the AT&T Midwest, Southwest, West, and East regions.

2. In accordance with Commission rules, 47 C.F.R. § 54.721(b)(2), I have reviewed the factual assertions set forth in the appeal regarding publicizing the availability of toll blocking and hereby certify that they are true and correct to the best of my knowledge.

Mary Jo Wenckus
Name

Dated: August 18, 2008

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20054

In the Matter of	)	
	)	
	)	
Request for Review by AT&T Inc.	)	WC Docket No. 03-109
of Decision of Universal Service	)	
Administrator	)	

DECLARATION

I, Robert S. Zawilinski, do hereby, under penalty of perjury, declare and state as follows:

1. My name is Robert S. Zawilinski. I am a Lead Product Marketing Manager with AT&T Operations, a wholly owned subsidiary of AT&T Inc. In that capacity, I have responsibility for Product Management of Resale Services including the resell of Lifeline and Link-Up services.

2. In accordance with Commission rules, 47 C.F.R. § 54.721(b)(2), I have reviewed the factual assertions set forth in the appeal and hereby certify that they are true and correct to the best of my knowledge.

Robert S. Zawilinski
Name

Dated: August 18, 2008

CERTIFICATE OF SERVICE

I, Shandee R. Parran, hereby certify that on this 18th day of August 2008, I caused a copy of the foregoing Request for Review of Decision of the Universal Service Administrator by AT&T Inc. in WC Docket No. 03-109 to be sent via UPS to:

Universal Service Administrative Company
Attn: David Capozzi, Acting General Counsel
2000 L Street, NW
Suite 200
Washington, DC 20036

/s/ Shandee R. Parran

Appendix A

USAC
Universal Service Administrative Company

High Cost & Low Income Division

Via Certified Mail Return Receipt Requested

June 19, 2008

Steven Ellis
Indiana Bell Telephone Company
2600 Camino Ramon
3S250EE
San Ramon, CA 94583

RE: Low Income Audit Results

Dear Mr. Ellis:

As you are aware, the auditors who conducted the recent audit of Indiana Bell Telephone Company (SAC 325080) on behalf of the Federal Communications Commission (FCC) found instances of non-compliance with the FCC's rules governing the Low Income universal service program. USAC's management response to the auditors' report is attached for your reference. As a result of these findings, USAC will recover the following amount:

Finding	Recovery Amount
Finding #1 LI-2006-195	$342.00
Total	$342.00

In sum, USAC will recover $342.00 in overpayments from Indiana Bell Telephone Company's July 2008 low income support payment, which will be disbursed at the end of August 2008. If this amount exceeds the amount of support due to Indiana Bell Telephone Company, USAC will continue recovering the overpayment amount against subsequent months' support disbursements until all recoveries are complete. In the event Indiana Bell Telephone Company becomes no longer eligible to receive Low Income support, USAC will issue an invoice for the balance owed.

If you wish to appeal this decision to the FCC, the appeal must be filed within 60 days of the date of this letter. Additional information about the appeals process may be found on USAC's web site at www.universalservice.org/li/about/filing-appeals.

Sincerely,

USAC

Enclosure

USAC
Universal Service Administrative Company

USAC Management Response

Date: June 28, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Indiana Bell Telephone Company (LI-2006-195)

USAC management has reviewed the IPIA Audit of Indiana Bell Telephone Company (325080). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-195 Management Letter:
Indiana Bell provided electronic subscriber listings of Low Income program subscribers for which support was claimed on FCC Form 497 for our sample months of November 2004 and January 2005. However, the electronic listings do not agree with the number of subscribers reported on the Form 497 and supporting summary documents for those months. The table below compares the subscriber counts on the electronic listings to the subscriber counts on the Form 497 and supporting summary documents for each of the two months.

	Electronic Listings	Form 497	Supporting Documents
Lifeline			
Nov 2004	44,813	39,189	39,189
Jan 2005	45,549	39,716	39,716
Link Up			
Nov 2004	1,811	1,851	1,851
Jan 2005	1,392	1,418	1,418
Toll Limitation			
Nov 2004	5,401	3,137	3,137
Jan 2005	5,519	3,306	3,306

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[1] As the auditors note, however, the Commission's rules do not specify the specific type of records a carrier must

[1] *See* 47 C.F.R § 54.407(c)

maintain in order to substantiate its support claims. For this reason, USAC concurs with the comment, effect and recommendation in the Management Letter.

This concludes the USAC management response to the audit.

USAC
Universal Service Administrative Company

USAC Management Response

Date: June 28, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Indiana Bell Telephone Company (LI-2006-195)

USAC management has reviewed the IPIA Audit of Indiana Bell Telephone Company (325080). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-195 Opinion:
Indiana Bell did not provide us with certifications of eligibility for 22 of 60 sample subscribers in our November 2004 sample and 25 of 60 sample subscribers in our January 2005 sample.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. A carrier is eligible to receive Lifeline reimbursement "based on the number of qualifying low-income consumers it serves"[1]. The carrier cannot prove that its subscribers were eligible for Lifeline during the audit period. USAC will recover support for the 47 subscribers for which the company cannot provide documentation of eligibility during the two sample months.

Condition 2 LI-2006-195 Opinion:
According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Indiana Bell's Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month, although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Management Letter. Line 9 (pro-rata support) of FCC Form 497 should be used

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[1] *See* 47 C.F.R § 54.407(a)

by carriers to adjust their support claim if they lose or gain Lifeline subscribers throughout the month. A carrier is not entitled to be reimbursed for a full month of support for a subscriber that began Lifeline service mid-month[2]. The instructions to Line 9 of FCC Form 497 include the word "if" because pro-rating is not mandatory unless a company has Lifeline customers who started or terminated Lifeline support mid-month. A company might have months in which it neither lost nor gained Lifeline customers. In those instances, the company would not pro-rate Lifeline support. Accordingly, the instructions to FCC Form 497 include the permissive "if" because companies that have maintained the same number of Lifeline subscribers throughout a month will not have to pro-rate their Lifeline support.

The FCC had considered adopting a complicated formula for calculating pro-rata support, but the OMB-approved version of the form that contained this formula was not implemented. The FCC has not, however, adopted a policy that allows companies to assume that added and deleted Lifeline accounts "come out in the wash" each month; line 9 of FCC Form 497 is designed to capture pro-rated amounts. A carrier has a responsibility to maintain accurate records of the revenue it forgoes in providing the Lifeline discounts[3].

This concludes the USAC management response to the audit.

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[2] *See* 47 C.F.R § 54.407(a). Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

[3] *See* 47 C.F.R § 54.407(c).

Appendix B

Via Certified Mail Return Receipt Requested

June 19, 2008

Steven Ellis
Southwestern Bell—Kansas
2600 Camino Ramon
3S250EE
San Ramon, CA 94583

RE: Low Income Audit Results

Dear Mr. Ellis:

As you are aware, the auditors who conducted the recent audit of Southwestern Bell—Kansas (SAC 415214) on behalf of the Federal Communications Commission (FCC) found instances of non-compliance with the FCC's rules governing the Low Income universal service program. USAC's management response to the auditors' report is attached for your reference. As a result of these findings, USAC will recover the following amount:

Finding	Recovery Amount
Condition #1 LI-2006-207	$436.00
Total	$436.00

In sum, USAC will recover $436.00 in overpayments from Southwestern Bell—Kansas's July 2008 low income support payment, which will be disbursed at the end of August 2008. If this amount exceeds the amount of support due to Southwestern Bell—Kansas, USAC will continue recovering the overpayment amount against subsequent months' support disbursements until all recoveries are complete. In the event Southwestern Bell—Kansas becomes no longer eligible to receive Low Income support, USAC will issue an invoice for the balance owed.

If you wish to appeal this decision to the FCC, the appeal must be filed within 60 days of the date of this letter. Additional information about the appeals process may be found on USAC's web site at www.universalservice.org/li/about/filing-appeals.

Sincerely,

USAC

Enclosure

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 3, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell-Kansas (LI-2006-207)

USAC management has reviewed the IPIA Audit of Southwestern Bell-Kansas (415214). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-207 Opinion:
Southwestern Bell-Kansas did not provide us with certifications of eligibility for 50 of 60 sample subscribers in our May 2005 sample month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. A carrier is eligible to receive Lifeline reimbursement "based on the number of qualifying low-income consumers it serves"[1]. The carrier cannot prove that its subscribers were eligible for Lifeline during the audit period. USAC will recover support for the 47 subscribers for which the company cannot provide documentation of eligibility during the two sample months.

Condition 2 LI-2006-207 Opinion:
Southwestern Bell-Kansas requested but did not receive certifications of compliance with FCC Lifeline and Link Up requirements from 12 resellers to whom it sold Lifeline discounted wholesale services.

Management Response:
The company should ensure that it retains reseller certifications in accordance with the federal rules. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 3 LI-2006-207 Opinion:
According to an AT&T official, when subscribers are enrolling in the Lifeline program, service representatives do not bring up and offer toll limitation service. The service representatives sign subscribers up for toll limitation service only if the subscribers ask. In addition, Southwestern Bell-Kansas' advertising provided for this audit did not mention toll limitation service.

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[1] *See* 47 C.F.R § 54.407(a)

2000 L Street, N.W. Suite 200 Washington, DC 20036 Voice 202.776.0200 Fax 202.776.0080 www.usac.org

Management Response:
Eligible telecommunications carriers are required to advertise all services supported under 47 C.F.R. § 54.101(a)[2]. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 4 LI-2006-207 Opinion:
Our sample of 60 Lifeline subscribers in May 2005 included 8 subscribers whose telephone bills had bundled rates for packages of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts. However, AT&T could not provide Customer Service Records (CSRs) for the eight subscribers showing they received Lifeline discounts on their bills.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[3] USAC concurs with the comment, effect and recommendation in the Management Letter. Although the carrier did not have Customer Service Records, it was able to provide the auditors with documentation to demonstrate that Lifeline discounts were applied to their bundle subscribers. Accordingly, USAC will not recover support as a result of this finding.

Condition 5 LI-2006-207 Opinion:
According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Southwestern Bell-Kansas' Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month; although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. Line 9 (pro-rata support) of FCC Form 497 should be used by carriers to adjust their support claim if they lose or gain Lifeline subscribers throughout the month. A carrier is not entitled to be reimbursed for a full month of support for a

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[2] *See* 47 C.F.R. § 54.201(d)(2)
[3] *See* 47 C.F.R § 54.407(c)

subscriber that began Lifeline service mid-month[4]. The instructions to Line 9 of FCC Form 497 include the word "if" because pro-rating is not mandatory unless a company has Lifeline customers who started or terminated Lifeline support mid-month. A company might have months in which it neither lost nor gained Lifeline customers. In those instances, the company would not pro-rate Lifeline support. Accordingly, the instructions to FCC Form 497 include the permissive "if" because companies that have maintained the same number of Lifeline subscribers throughout a month will not have to pro-rate their Lifeline support.

The FCC had considered adopting a complicated formula for calculating pro-rata support, but the OMB-approved version of the form that contained this formula was not implemented. The FCC has not, however, adopted a policy that allows companies to assume that added and deleted Lifeline accounts "come out in the wash" each month; line 9 of FCC Form 497 is designed to capture pro-rated amounts. A carrier has a responsibility to maintain accurate records of the revenue it forgoes in providing the Lifeline discounts[5].

This concludes the USAC management response to the audit.

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[4] *See* 47 C.F.R § 54.407(a). Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

[5] *See* 47 C.F.R § 54.407(c).

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 3, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell—Kansas Telephone Company (LI-2006-207)

USAC management has reviewed the IPIA Audit of Southwestern Bell—Kansas Telephone Company (415214). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-207 Management Letter:
Southwestern Bell-Kansas could not provide an electronic listing with data for Low Income program subscribers for which support was claimed on Federal Communications Commission (FCC) Form 497 for our sample month of November 2004. Southwestern Bell-Kansas provided an electronic subscriber listing of subscribers for May 2005. However, the electronic listing does not agree with the Form 497 and supporting summary documents for the number of Link Up subscribers and the number of subscribers for whom Toll Limitation Services (TLS) were initiated. The electronic subscriber listing shows 66 Link up and 41 new TLS subscribers, while the Form 497 and supporting summary documents show 65 Link Up and 56 new TLS subscribers in May 2005. The electronic listing also showed four instances of duplicate Lifeline discounts to subscribers.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[1] As the auditors note, however, the Commission's rules do not specify the specific type of records a carrier must maintain in order to substantiate its support claims. For this reason, USAC concurs with the comment, effect and recommendation in the Management Letter.

This concludes the USAC management response to the audit.

[1] *See* 47 C.F.R § 54.407(c)

2000 L Street, N.W. Suite 200 Washington, DC 20036 Voice 202.776.0200 Fax 202.776.0080 www.usac.org

Appendix C

USAC
Universal Service Administrative Company

High Cost & Low Income Division

Via Certified Mail Return Receipt Requested

June 19, 2008

Steven Ellis
Indiana Bell Telephone Company
Southwestern Bell—Kansas
2600 Camino Ramon
3S250EE
San Ramon, CA 94583

RE: Low Income Audit Results

Dear Mr. Ellis:

As you are aware, the auditors who conducted the recent audit of Southwestern Bell—Oklahoma (SAC 435215) on behalf of the Federal Communications Commission (FCC) found instances of non-compliance with the FCC's rules governing the Low Income universal service program. USAC's management response to the auditors' report is attached for your reference. As a result of these findings, USAC will recover the following amount:

Finding	Recovery Amount
Finding #1 LI-2006-208	$403.00
Total	$403.00

In sum, USAC will recover $403.00 in overpayments from Southwestern Bell—Oklahoma's July 2008 low income support payment, which will be disbursed at the end of August 2008. If this amount exceeds the amount of support due to Southwestern Bell—Oklahoma, USAC will continue recovering the overpayment amount against subsequent months' support disbursements until all recoveries are complete. In the event Southwestern Bell—Oklahoma becomes no longer eligible to receive Low Income support, USAC will issue an invoice for the balance owed.

If you wish to appeal this decision to the FCC, the appeal must be filed within 60 days of the date of this letter. Additional information about the appeals process may be found on USAC's web site at www.universalservice.org/li/about/filing-appeals.

Sincerely,

USAC

Enclosure

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 5, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell-Oklahoma (LI-2006-208)

USAC management has reviewed the IPIA Audit of Southwestern Bell-Oklahoma (435215). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-208 Opinion:
Southwestern Bell-Oklahoma did not provide us with certifications of eligibility for 28 of 40 sample subscribers in our March 2005 sample and 29 of 34 sample subscribers in our May 2005 sample. Our sample size was 60 subscribers for each month, but 20 subscribers in our March 2005 sample and 26 subscribers in our May 2005 sample were not Southwestern Bell-Oklahoma customers—they were customers of other carriers (resellers) who had purchased Lifeline discounted wholesale services from Southwestern Bell-Oklahoma. According to AT&T, it is the resellers' responsibility to obtain eligibility documentation for these subscribers, and Southwestern Bell-Oklahoma never obtained such documentation.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. A carrier is eligible to receive Lifeline reimbursement "based on the number of qualifying low-income consumers it serves"[1]. The carrier cannot prove that its subscribers were eligible for Lifeline during the audit period. USAC will recover support for the 57 retail subscribers for which the company cannot provide documentation of eligibility during the two sample months. USAC will not recover support for the subscribers of the company's resellers.

Condition 2 LI-2006-208 Opinion:
Southwestern Bell-Oklahoma requested but did not receive certifications of compliance with FCC Lifeline and Link Up requirements from 5 of 10 resellers to whom it sold Lifeline discounted wholesale services.

Management Response:

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[1] *See* 47 C.F.R § 54.407(a)

The company should ensure that it retains reseller certifications in accordance with the federal rules. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 3 LI-2006-208 Opinion:
According to an AT&T official, when subscribers are enrolling in the Lifeline program, service representatives do not bring up and offer toll limitation service. The service representatives sign subscribers up for toll limitation service only if the subscribers ask. In addition, Southwestern Bell-Oklahoma's advertising provided for this audit did not mention toll limitation service.

Management Response:
Eligible telecommunications carriers are required to advertise all services supported under 47 C.F.R. § 54.101(a)[2]. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 4 LI-2006-208 Opinion:
Our sample of 60 Lifeline subscribers in each of March 2005 and May 2005 included 18 subscribers (8 in March and 10 in May) whose telephone bills had bundled rates for packages of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts. However, AT&T could not provide Customer Service Records (CSRs) for the 18 sample subscribers showing they received Lifeline discounts on their bills.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[3] USAC concurs with the comment, effect and recommendation in the Management Letter. Although the carrier did not have Customer Service Records, it was able to provide the auditors with documentation to demonstrate that Lifeline discounts were applied to their bundle subscribers. Accordingly, USAC will not recover support as a result of this finding.

Condition 5 LI-2006-208 Opinion:
According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Southwestern Bell-Oklahoma's Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month, although these

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[2] *See* 47 C.F.R. § 54.201(d)(2)
[3] *See* 47 C.F.R § 54.407(c)

subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. Line 9 (pro-rata support) of FCC Form 497 should be used by carriers to adjust their support claim if they lose or gain Lifeline subscribers throughout the month. A carrier is not entitled to be reimbursed for a full month of support for a subscriber that began Lifeline service mid-month.[4] The instructions to Line 9 of FCC Form 497 include the word "if" because pro-rating is not mandatory unless a company has Lifeline customers who started or terminated Lifeline support mid-month. A company might have months in which it neither lost nor gained Lifeline customers. In those instances, the company would not pro-rate Lifeline support. Accordingly, the instructions to FCC Form 497 include the permissive "if" because companies that have maintained the same number of Lifeline subscribers throughout a month will not have to pro-rate their Lifeline support.

The FCC had considered adopting a complicated formula for calculating pro-rata support, but the OMB-approved version of the form that contained this formula was not implemented. The FCC has not, however, adopted a policy that allows companies to assume that added and deleted Lifeline accounts "come out in the wash" each month; line 9 of FCC Form 497 is designed to capture pro-rated amounts. A carrier has a responsibility to maintain accurate records of the revenue it forgoes in providing the Lifeline discounts[5].

This concludes the USAC management response to the audit.

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[4] *See* 47 C.F.R § 54.407(a). Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

[5] *See* 47 C.F.R § 54.407(c).

USAC Management Response

Date: July 5, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell—Oklahoma Telephone Company (LI-2006-208)

USAC management has reviewed the IPIA Audit of Southwestern Bell—Oklahoma Telephone Company (435215). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-208 Management Letter:
Southwestern Bell-Oklahoma provided electronic listings of Low Income Program subscribers for which support was claimed on Federal Communications Commission (FCC) Form 497 for March 2005 and May 2005. While the electronic listings agree with the Lifeline subscriber counts on the Form 497 and supporting summary schedules for both months, other data on the electronic listings do not agree. The electronic listings show 1,682 Link Up subscribers in March 2005, while the Form 497 and supporting summary documents show 1,681 Link Up subscribers; the electronic listings show 487 new toll limitation services (TLS) subscribers in March 2005, while the Form 497 and supporting summary documents show 520 new TLS subscribers; and the electronic listings show 442 new TLS subscribers in May 2005, while the Form 497 and supporting summary documents show 505 new TLS subscribers. The electronic listing for March 2005 also showed 16 instances of duplicate Lifeline discounts to subscribers.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[1] As the auditors note, however, the Commission's rules do not specify the specific type of records a carrier must maintain in order to substantiate its support claims. For this reason, USAC concurs with the comment, effect and recommendation in the Management Letter.

This concludes the USAC management response to the audit.

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[1] *See* 47 C.F.R § 54.407(c)

Appendix D

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC
Certified Public Accountants and Management, Systems, and Financial Consultants

■ Main Office:
1101 15th Street, N.W.
Suite 400
Washington, DC 20005
(202) 737-3300
(202) 737-2684 Fax

□ Regional Office:
100 Pearl Street
14th Floor
Hartford, CT 06103
(860) 249-7246
(860) 275-6504 Fax

□ Regional Office:
21250 Hawthorne Boulevard
Suite 500
Torrance, CA 90503
(310) 792-7001
(310) 792-7004 Fax

Independent Accountant's Report
LI-2006-195

Indiana Bell Tel. Co.
525 Market Street, 19th Floor #21
San Francisco, CA 94105

Universal Service Administrative Company
2000 L Street, N.W.
Suite 200
Washington, D.C. 20036
Attn: Internal Audit

Federal Communications Commission:
445 12th Street SW
Washington, DC 20554
Attn: Inspector General

We have examined management's assertions included in their letter dated March 3, 2007, (Attachment 1) that Indiana Bell (Study Area Code 325080) complied with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders identified in Attachment 2, relative to disbursements of $4,040,530.00 for Low Income Program Support services made from the Universal Service Fund during the fiscal year ended September 30, 2005. Indiana Bell's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about Indiana Bell's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about Indiana Bell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Indiana Bell's compliance with specified requirements.

In conducting our examination we found material deviations from program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders. First, Indiana Bell was unable to provide certification forms for 22 of 60 sample subscribers in November 2004 and 25 of 60 sample subscribers in January 2005, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. As a result, we were unable to determine whether these 47 subscribers were eligible for Lifeline support. Second, Indiana Bell was not determining pro rata discounts for Lifeline customers who were eligible for only partial months. Detailed information relative to these instances of material noncompliance is described in Attachment 3.

In our opinion, except for the material deviations from the criteria described in the preceding paragraph, management's assertions that Indiana Bell complied with the aforementioned requirements relative to disbursements of $4,040,530.00 for low income support services made from the Universal Service Fund for the fiscal year ended September 30, 2005, are fairly stated, in all material respects.

In addition, and in accordance with *Government Auditing Standards*, we noted an instance of immaterial noncompliance that we have reported to Indiana Bell in a separate letter dated April 5, 2007.

This report is intended solely for the information and use of Indiana Bell, the Federal Communications Commission of the United States of America and the Universal Service Administrative Company and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC Thompson, Cobb, Bazilio & Associates, P.C.
April 5, 2007

Attachment 1

AT&T Assertion Letter for Study Area Codes
545170 (Pacific Bell), 445216 (Southwestern Bell – Texas), 325080 (Indiana Bell), 415213 (Southwestern Bell – Kansas), 435215 (Southwestern Bell – Oklahoma) and 555173 (Nevada Bell)

Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Section 54 of the Federal Communications Commission's Rules, Regulations and Related Orders

Management of AT&T is responsible for ensuring that the carrier is in compliance with applicable requirements of the Federal Communications Commission (FCC) rules at 47 C.F.R §§ 54.101, 54.201 -- 54.209, and 54.400 -- 54.417 as well as related FCC Orders.

Management has performed an evaluation of the carrier's compliance with the applicable requirements of FCC rules at 47 C.F.R §§ 54.101, 54.201 -- 54.209, and 54.400 -- 54.417, and related FCC Orders with respect to providing discounts to eligible low income consumers and seeking reimbursement from the Universal Service Fund (USF) during the year ended September 30, 2005.

AT&T makes the following assertions with respect to Low Income Program reimbursements received from the USF for Study Area Codes listed above for year ended September 30, 2005:

A. Carrier Eligibility – AT&T asserts that it:

   1. is an eligible telecommunications carrier (ETC) that provides the services that an eligible carrier must offer to receive federal universal service support. (See the attached documents/orders showing ETC status for each of the six states.)

   2. makes available Lifeline service, as defined in 54.401, to qualifying low-income consumers.

B. Advertising Supported Services: AT&T asserts that it publicizes the availability of supported services in a manner reasonably designed to reach those likely to qualify for Lifeline and Toll Limitation Support services.

C. Rate verification – AT&T asserts that it:

   1. provides discounts to qualifying subscribers for Lifeline service:

      i. Tier 1: Available to all eligible Lifeline subscribers equal to the Incumbent Local Exchange Carrier's (ILEC's) actual federal tariffed subscriber line charge.

      ii. Tier 2: $1.75 per month available to qualified low-income consumers, if the carrier received any non-federal approvals necessary to implement the required rate reduction and passes through the full amount of Tier 2 support to the qualifying low-income consumer

      iii. Tier 3: An additional amount of federal Lifeline support equal to one-half the amount of any State-mandated Lifeline support, or one half of any Lifeline support provided by the Service Provider, up to a maximum of $1.75 per month.

      iv. Tier 4: Additional federal Lifeline support of up to $25 per month to eligible residents of tribal lands, as defined in § 54.400 (e), as long as the amount does not bring the basic local residential rate below $1 per month per qualifying low-income subscriber.

   2. provides discounts to qualifying subscribers for Link Up service:

i. a reduction of half of the customary Carrier charge or $30, whichever is less, for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence.

ii. for an eligible resident of Tribal lands, an additional reduction of up to $70 to cover 100 percent of the charges between $60 and $130 for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence.

3. allows eligible consumers to voluntarily subscribe to toll blocking or toll restriction at no cost, and

i. maintains methods and procedures whereby customers who qualify for Lifeline, Link-up and Toll Limitation/Restriction service are not required to post a security deposit for obtaining such service

ii. only claim the incremental cost of providing the service which specifies that Lifeline support for providing toll limitation or toll restriction shall equal the ETC's incremental cost of providing either toll blocking or toll restriction.

D. Consumer Qualification for Lifeline Service: AT&T asserts that it:

1. maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up and Toll Limitation/Restriction services including:

a. that AT&T is in compliance with state Lifeline income certification procedures when required and that service representatives are required to obtain appropriate documentation of income

b. that by June 22, 2005, AT&T complied with state verification procedures to validate consumers' continued eligibility for Lifeline.

E. Submission of Lifeline and Link Up Worksheet (Form FCC 497): AT&T asserts that it:

1. submitted properly completed FCC Forms 497 for each month, representing discounts actually provided to subscribers, for the months cited above, and has the required supporting documentation at the USOC level of detail for the number of subscribers, rates and other information provided on the Form 497.

F. General Record Keeping Requirements: AT&T asserts that:

1. it maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs. Documentation supporting the cost of providing Toll Limitation services for California and Nevada for the time periods subject to this audit could not currently be located. However, documentation is available for current rates being used in the FCC Forms 497 and such rates are in fact higher than the rates claimed for the audit periods.

2. if it sells Lifeline connections to resellers, AT&T requests certifications from the reseller that it is complying with the FCC's Lifeline and Link Up requirements.

March 3, 2007

John J. Stephens
Senior Vice President & Controller

Attachment 2

Federal Communications Commission's 47 C.F.R. Part 54 Rules and Related Orders with which Compliance was Examined

Carrier Eligibility:

Section 54.101 (a)

Section 54.201 (a)

Section 54.405 (a)

Advertising Supported Services:

Section 54.201 (d) (2)

Section 54.405

Rate Verification:

Section 54.101 (9)

Section 54.401 (c)

Section 54.403 (a) (1)

Section 54.403 (a) (2)

Section 54.403 (a) (3)

Section 54.403 (a) (4)

Section 54.403 (c)

Section 54.407

Section 54.411 (a) (1)

Section 54.411 (a) (3)

Section 54.417 (a)

Federal-State Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, ¶¶ 385-389 (1997))

Consumer Qualifications:

Section 54.410

Submission of FCC Form 497:

Section 54.407

General Recordkeeping:

Section 54.417 (a)

In the Matter of Lifeline and Link-Up, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶ 40 (2004)

Attachment 3

Comment One	**Subscriber Certifications of Eligibility--Section 54.417(a) and Section 54.407(c) Noncompliance**
Condition	Indiana Bell did not provide us with certifications of eligibility for 22 of 60 sample subscribers in our November 2004 sample and 25 of 60 sample subscribers in our January 2005 sample.
Criteria	Section 54.417(a) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or USAC Administrator upon request. Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the USAC Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. AT&T management asserted, by letter dated March 3, 2007, that it (1) maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up, and Toll Limitation/Restriction services, and (2) maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs.
Cause	According to an AT&T official, Indiana Bell is uncertain why the certification of eligibility forms were missing, but possible reasons are that (1) data may have been lost for long-time customers who signed up for Lifeline more than 5-10 years ago, and (2) paperwork is stored off-site after a number of years and some of this data may have been lost in storage.
Effect	We were unable to determine whether 22 of 60 sample subscribers in our November 2004 sample and 25 of 60 sample subscribers in our January 2005 sample were eligible for Lifeline support. The Tier 1 and Tier 2 support for these subscribers was $159.72 in November 2004 and $181.50 in January 2005.
Recommendation	We recommend that Indiana Bell maintain subscribers' certifications of eligibility for at least three full calendar years.

Beneficiary Response New federal rules regarding 54.417 about retention of subscriber data were effective May 12, 2005. Effective at that time, Indiana Bell implemented new retention processes for all new Lifeline customers such that the customer's application will be retained for the duration of that customer's enrollment in Lifeline or until that customer is audited.

Indiana Bell would like to note that the rules in question here, 47 C.F.R. §54.410 (which sets out the requirements for certification and verification of consumer qualification for Lifeline), and §54.417 (which provides, in the first instance, general recordkeeping requirements) did not become effective until May 12, 2005, the date on which OMB approval was granted to permit data collection as would be required by the two aforementioned rules. As such, the review of the company's practices for compliance with these rules should be limited only to the period of time for which these rules were in effect.

(See 70 Fed. Reg. 30110 (2005), available at: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-10113.pdf)

Auditor Response Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders was in effect during the fiscal year ended September 30, 2005, the period we audited, and we have added this section to our stated criteria. This section requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the USAC Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. In keeping with this requirement, Indiana Bell should have maintained certifications of eligibility for its Lifeline subscribers in our sample months of November 2004 and January 2005, and provided them upon request for this audit. In view of Section 54.417(a), we are recommending that Indiana Bell maintain subscribers' certifications of eligibility for at least three full calendar years.

Comment Two **Form 497 Lifeline Support—Section 54.403(a) Noncompliance**

Condition According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Indiana Bell's Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month; although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Criteria According to Section 54.403(a) (2), (3), and (4) of 47 C.F.R of the FCC Rules and Regulations, Tier Two, Tier Three, and Tier Four federal Lifeline support amount will be made available to the eligible telecommunications carrier if that carrier certifies to the Universal Service Administrative Company Administrator that it will pass through the full amount of Tier Two, Tier Three, and Tier Four support to its qualifying low-income consumers. According to the instructions for completing Form 497, Line 9 on the form is for claiming the partial or pro rata amount for all partial or pro-rated subscribers. According to the instructions, this amount may be positive or negative depending on whether there are more new subscribers being added part way through a month or more subscribers disconnecting during the reported month. Page 2 of Form 497 requires the signature of an officer or employee of the company certifying that the company will pass through the full amount of all Tier Two, Tier Three, and Tier Four federal Lifeline support for which the company seeks reimbursement, as well as applicable intrastate Lifeline support, to all qualifying low-income subscribers by an equivalent reduction in the subscriber's monthly bill for local telephone service.

Cause In determining the amount of Lifeline support claimed on the Form 497 each month, Indiana Bell did not take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered or left the Lifeline program some time during the month. According to AT&T officials, the approach used to determine the amount of Lifeline support claimed on the Form 497 "comes out in the wash" over time because some Lifeline subscribers come and go each month.

Effect The amount of Lifeline support claimed on the Form 497 for each month may not equal the actual Lifeline discounts passed on to subscribers for that same month, depending on (1) whether there were more new subscribers added to the Lifeline Program part way through the month or more subscribers who left the Program during the month and (2) the days of the month that subscribers were added to and left the program, which determines their pro rata discounts.

Recommendation We recommend that Indiana Bell take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered and left the Lifeline program when determining the amount of Lifeline support claimed on the FCC Form 497 each month.

Beneficiary Response The Company disagrees with the auditor's premise that the Commission's existing rules and the current FCC Form 497 and instructions require an ETC seeking reimbursement for Lifeline discounts to report separately lifeline subscribers that were added to and/or dropped from the Lifeline program during any given month, rather than simply reporting the total number of current Lifeline subscribers as of a particular date at the end of the month. The Company notes in this regard that, in 2004, the Commission proposed to amend Form 497 to adopt such a requirement, but ultimately did not do so. Specifically, in September 2004, the Commission

Beneficiary Response (Continued)

issued a public notice announcing that, beginning October 15, 2004, ETCs seeking reimbursement for Lifeline support would be required to use the revised form, which required ETCs separately to report the number of subscribers receiving such support for the whole month and the number of subscribers receiving such support for only a part of the month (as well as the total service days for such subscribers). *See Wireline Competition Bureau Announces Effective Date of Revised Form 497 Used to File Low Income Claims with USAC*, WC Docket No. 03-109, Public Notice, DA 04-3016 (rel. Sept. 21, 2004). Following this announcement, representatives of the Company and other ETCs met with Commission Staff to urge the Commission not to adopt the new form and require ETCs to break out and report separately the number of low-income subscribers receiving Lifeline support for only part of a month because those carriers did not have systems in place to separately track such subscribers and calculate pro-rated support. In response, the Commission delayed, and later suspended indefinitely, adoption of the new form. *See Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support*, WC Docket No. 03-109, Public Notice, DA 04-3188 (rel. Oct. 4, 2004) (delaying the effective date of the new form until April 15, 2005); *Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support Until Further Notice*, WC Docket No. 03-109, Public Notice, DA 05-604 (Mar. 4, 2005) (delaying the effective date until further notice). Plainly, if the Commission had intended to require, rather than permit, ETCs to seek pro-rated support for Lifeline subscribers who take service for only a part of a month, it would have adopted the new form – the fact that it did not do so establishes that there currently is no requirement that carriers separately report and seek pro-rated support for such customers.

The language of the instructions to the current form is not to the contrary. In particular, the instructions for Line 9, which the auditors cite as support for the purported requirement that ETCs separately report partial-month subscribers, state only that ETC's should use Line 9 "***if***" they are claiming partial or pro-rata dollars: "If claiming partial or pro-rata dollars, check box on line 9." Likewise, Line 9 on the actual form itself provides: "Check box to the right ***if*** partials or pro rata amounts are used." (Emphasis added.) The instructions and form thus simply identify where on the form a carrier should report partial-month subscriber data if the carrier is able to and chooses to do so.

Auditor Response

According to USAC, The carrier should only be claiming support equal to the amount they are passing to its subscribers and should only be giving support to subscribers for the time they are actually receiving the discount.

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC
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We have examined management's assertions included in their letter dated March 3, 2007, that Indiana Bell complied with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders, relative to disbursements of $4,040,530.00 for Low Income Support Program services made from the Universal Service Fund during the fiscal year ended September 30, 2005, and have issued our report thereon dated April 5, 2007. In planning and performing our examination, we considered internal control in order to determine our examination procedures for the purpose of expressing our opinion on management's assessment. An examination does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our examination a matter related to immaterial noncompliance with Low Income Support Program requirements that is presented for your consideration. This matter was discussed with the appropriate members of management, and is intended to result in improved compliance with Low Income Support Program requirements and is summarized as follows:

Comment **Subscriber Count Verification--Section 54.407(c) Noncompliance**

Condition Indiana Bell provided electronic subscriber listings of Low Income program subscribers for which support was claimed on FCC Form 497 for our sample months of November 2004 and January 2005. However, the electronic listings do not agree with the number of subscribers reported on the Form 497 and supporting summary documents for those months. The table below compares the subscriber counts on the electronic listings to the subscriber counts on the Form 497 and supporting summary documents for each of the two months.

	Electronic Listings	Form 497	Supporting Documents
Lifeline			
Nov 2004	44,813	39,189	39,189
Jan 2005	45,549	39,716	39,716
Link Up			
Nov 2004	1,811	1,851	1,851
Jan 2005	1,392	1,418	1,418
Toll Limitation			
Nov 2004	5,401	3,137	3,137
Jan 2005	5,519	3,306	3,306

Criteria

Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the USAC Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart.

However, the FCC's Rules do not identify the specific types of records carriers must retain to substantiate the amounts claimed on the Form 497.

AT&T management asserted, by letter dated March 3, 2007, that it submitted properly completed Forms 497 for each month during the year ended September 30, 2005, and has required supporting documentation at the USOC level of detail [i.e., summary reports of selected billing activity that tabulate reimbursable Lifeline transactions] for the number of subscribers, rates, and other information provided on Form 497.

Cause

According to AT&T officials, subscriber counts on the electronic subscriber listings differ from the Form 497 and supporting summary documentation because a different source had be used to retrieve the data for the listings. The officials said that in preparing the Form 497, a billing system report is used that provides a "snapshot" of the number of subscribers on a particular day (i.e., at the end of the month). However, to provide us with electronic subscriber listings for our two sample months, AT&T used "history tables" which show all activity, including Lifeline subscribers who started or stopped service, during each month. The officials said that the billing system data (i.e., the Form 497 and supporting documentation) is more accurate than the electronic subscriber listings that were provided.

Effect We were unable to use the electronic subscriber listings to verify and attest to the accuracy of the Form 497 subscriber counts for November 2004 and January 2005. Since the FCC's rules do not specify the type of record carriers must retain, we accepted the USOC level of detail as support for the Form 497. Therefore, this matter is not a rule violation. The financial effects of the differences in subscriber counts between the electronic listings and the Form 497 for November 2004 are a Lifeline Tier 1 and Tier 2 underpayment of $40,830.24, Link Up overpayment of $940, and Toll Limitation Services underpayment of $15.85. For January 2005, the financial effects of the differences in subscriber counts are a Lifeline Tier 1 and Tier 2 underpayment of $42,347.58, Link Up overpayment of $611, and Toll Limitation Services underpayment of $15.49.

Recommendation Although not required by current FCC rules, we recommend that Indiana Bell develop a process to capture Lifeline subscriber data from its billing system enabling Indiana Bell to provide a better audit trail of more reliable and accurate information needed to verify the accuracy of Form 497 subscriber counts and the revenues Indiana Bell forgoes in providing Lifeline service.

Beneficiary Response

The subscriber listings for Lifeline, Link-up and TLS subscribers were pulled from history tables. The actual Form 497 data is pulled from a current table and as a result there are some differences. The documentation maintained to support the Form 497 (and provided to the auditors) is a summary level report pulled from the current table (rather than the detailed subscriber level report). This summary level report does agree with the amounts claimed on the Form 497. The Company does not find anything in the rules/regulations specifically requiring maintaining detailed subscriber listings. Notwithstanding that, the current monthly process for pulling the data for the Form 497 includes pulling data at a subscriber level of detail. This will enable the subscriber detail that matches the 497 to be available for future audits. Regarding the months involved in this audit, the Company believes the summary level reports are accurate because the current months where the subscriber level detail is available, agrees with the summary level report used to support the amount claimed on the Form 497.

Our examination procedures are designed primarily to enable us to form an opinion on management's assertions about Indiana Bell's compliance with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of Indiana Bell's management, and others within the organization, Universal Service Administrative Company and the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties

Washington, DC Thompson, Cobb, Bazilio & Associates, P.C.
April 5, 2007

USAC
Universal Service Administrative Company

USAC Management Response

Date: June 28, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Indiana Bell Telephone Company (LI-2006-195)

USAC management has reviewed the IPIA Audit of Indiana Bell Telephone Company (325080). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-195 Management Letter:
Indiana Bell provided electronic subscriber listings of Low Income program subscribers for which support was claimed on FCC Form 497 for our sample months of November 2004 and January 2005. However, the electronic listings do not agree with the number of subscribers reported on the Form 497 and supporting summary documents for those months. The table below compares the subscriber counts on the electronic listings to the subscriber counts on the Form 497 and supporting summary documents for each of the two months.

	Electronic Listings	Form 497	Supporting Documents
Lifeline			
Nov 2004	44,813	39,189	39,189
Jan 2005	45,549	39,716	39,716
Link Up			
Nov 2004	1,811	1,851	1,851
Jan 2005	1,392	1,418	1,418
Toll Limitation			
Nov 2004	5,401	3,137	3,137
Jan 2005	5,519	3,306	3,306

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[1] As the auditors note, however, the Commission's rules do not specify the specific type of records a carrier must

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[1] *See* 47 C.F.R § 54.407(c)

maintain in order to substantiate its support claims. For this reason, USAC concurs with the comment, effect and recommendation in the Management Letter.

This concludes the USAC management response to the audit.

USAC
Universal Service Administrative Company

USAC Management Response

Date: June 28, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Indiana Bell Telephone Company (LI-2006-195)

USAC management has reviewed the IPIA Audit of Indiana Bell Telephone Company (325080). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-195 Opinion:
Indiana Bell did not provide us with certifications of eligibility for 22 of 60 sample subscribers in our November 2004 sample and 25 of 60 sample subscribers in our January 2005 sample.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. A carrier is eligible to receive Lifeline reimbursement "based on the number of qualifying low-income consumers it serves"[1]. The carrier cannot prove that its subscribers were eligible for Lifeline during the audit period. USAC will recover support for the 47 subscribers for which the company cannot provide documentation of eligibility during the two sample months.

Condition 2 LI-2006-195 Opinion:
According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Indiana Bell's Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month, although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Management Letter. Line 9 (pro-rata support) of FCC Form 497 should be used

[1] *See* 47 C.F.R § 54.407(a)

by carriers to adjust their support claim if they lose or gain Lifeline subscribers throughout the month. A carrier is not entitled to be reimbursed for a full month of support for a subscriber that began Lifeline service mid-month[2]. The instructions to Line 9 of FCC Form 497 include the word "if" because pro-rating is not mandatory unless a company has Lifeline customers who started or terminated Lifeline support mid-month. A company might have months in which it neither lost nor gained Lifeline customers. In those instances, the company would not pro-rate Lifeline support. Accordingly, the instructions to FCC Form 497 include the permissive "if" because companies that have maintained the same number of Lifeline subscribers throughout a month will not have to pro-rate their Lifeline support.

The FCC had considered adopting a complicated formula for calculating pro-rata support, but the OMB-approved version of the form that contained this formula was not implemented. The FCC has not, however, adopted a policy that allows companies to assume that added and deleted Lifeline accounts "come out in the wash" each month; line 9 of FCC Form 497 is designed to capture pro-rated amounts. A carrier has a responsibility to maintain accurate records of the revenue it forgoes in providing the Lifeline discounts[3].

This concludes the USAC management response to the audit.

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[2] *See* 47 C.F.R § 54.407(a). Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

[3] *See* 47 C.F.R § 54.407(c).

Appendix E

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Independent Accountant's Report
LI-2006-207

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Attn: Inspector General

We have examined management's assertions (Attachment 1) included in their letter dated March 3, 2007, that Southwestern Bell-Kansas (Study Area Code 415214) complied with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders identified in Attachment 2, relative to disbursements of $1,963,977.00 for Low Income Program Support services made from the Universal Service Fund during the fiscal year ended September 30, 2005. Southwestern Bell-Kansas' management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about Southwestern Bell-Kansas' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about Southwestern Bell-Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Southwestern Bell-Kansas' compliance with specified requirements.

In conducting our examination we found material deviations from program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders. First, Southwestern Bell-Kansas did not maintain certifications of eligibility for 50 of 60 sample subscribers in our May 2005 sample month, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. Second, Southwestern Bell-Kansas did not have certifications of compliance with Federal Communications Commission Lifeline and Link Up requirements for all of its resellers, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. Third, Southwestern Bell-Kansas did not comply with 47 C.F.R. §54.401(a)(3), which requires that carriers offer toll limitation to all qualifying low-income consumers at the time they subscribe to Lifeline service. Fourth, we were unable to verify that eight subscribers in our May 2005 sample month had appropriately received Lifeline discounts on their telephone bills. These sample subscribers each had a telephone bill with a bundled rate for a package of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts, but AT&T could not provide documentation showing that the eight subscribers received Lifeline discounts on their bills, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. Fifth, Southwestern Bell-Kansas was not determining pro rata discounts for Lifeline customers who were eligible for only partial months. Detailed information relative to these instances of material noncompliance is described in Attachment 3.

In our opinion, except for the material deviations from the criteria described in the preceding paragraph, management's assertions that Southwestern Bell-Kansas complied with the aforementioned requirements relative to disbursements of $1,963,977.00 for Low Income Support services made from the Universal Service Fund for the fiscal year ended September 30, 2005, are fairly stated, in all material respects.

In addition, and in accordance with *Government Auditing Standards*, we noted an immaterial instance of noncompliance that we have reported to Southwestern Bell-Kansas in a separate letter dated April 5, 2007.

This report is intended solely for the information and use of Southwestern Bell-Kansas, the Federal Communications Commission of the United States of America and the Universal Service Administrative Company and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC Thompson, Cobb, Bazilio & Associates, P.C.
April 5, 2007

Attachment 1

AT&T Assertion Letter for Study Area Codes
545170 (Pacific Bell), 445216 (Southwestern Bell – Texas), 325080 (Indiana Bell), 415213 (Southwestern Bell – Kansas), 435215 (Southwestern Bell – Oklahoma) and 555173 (Nevada Bell)

Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Section 54 of the Federal Communications Commission's Rules, Regulations and Related Orders

Management of AT&T is responsible for ensuring that the carrier is in compliance with applicable requirements of the Federal Communications Commission (FCC) rules at 47 C.F.R. §§ 54.101, 54.201 – 54.209, and 54.400 – 54.417 as well as related FCC Orders.

Management has performed an evaluation of the carrier's compliance with the applicable requirements of FCC rules at 47 C.F.R. §§ 54.101, 54.201 – 54.209, and 54.400 – 54.417, and related FCC Orders with respect to providing discounts to eligible low income consumers and seeking reimbursement from the Universal Service Fund (USF) during the year ended September 30, 2005.

AT&T makes the following assertions with respect to Low Income Program reimbursements received from the USF for Study Area Codes listed above for year ended September 30, 2005:

A. Carrier Eligibility – AT&T asserts that it:

   1. is an eligible telecommunications carrier (ETC) that provides the services that an eligible carrier must offer to receive federal universal service support. (See the attached documents/orders showing ETC status for each of the six states.)

   2. makes available Lifeline service, as defined in 54.401, to qualifying low-income consumers.

B. Advertising Supported Services: AT&T asserts that it publicizes the availability of supported services in a manner reasonably designed to reach those likely to qualify for Lifeline and Toll Limitation Support services.

C. Rate verification – AT&T asserts that it:

   1. provides discounts to qualifying subscribers for Lifeline service:

      i. Tier 1: Available to all eligible Lifeline subscribers equal to the Incumbent Local Exchange Carrier's (ILEC's) actual federal tariffed subscriber line charge.

      ii. Tier 2: $1.75 per month available to qualified low-income consumers, if the carrier received any non-federal approvals necessary to implement the required rate reduction and passes through the full amount of Tier 2 support to the qualifying low-income consumer

      iii. Tier 3: An additional amount of federal Lifeline support equal to one-half the amount of any State-mandated Lifeline support, or one half of any Lifeline support provided by the Service Provider, up to a maximum of $1.75 per month.

      iv. Tier 4: Additional federal Lifeline support of up to $25 per month to eligible residents of tribal lands, as defined in § 54.400 (e), as long as the amount does not bring the basic local residential rate below $1 per month per qualifying low-income subscriber.

   2. provides discounts to qualifying subscribers for Link Up service:

i. a reduction of half of the customary Carrier charge or $30, whichever is less, for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence.

ii. for an eligible resident of Tribal lands, an additional reduction of up to $70 to cover 100 percent of the charges between $60 and $130 for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence.

3. allows eligible consumers to voluntarily subscribe to toll blocking or toll restriction at no cost, and

   i. maintains methods and procedures whereby customers who qualify for Lifeline, Link-up and Toll Limitation/Restriction service are not required to post a security deposit for obtaining such service

   ii. only claim the incremental cost of providing the service which specifies that Lifeline support for providing toll limitation or toll restriction shall equal the ETC's incremental cost of providing either toll blocking or toll restriction.

D. Consumer Qualification for Lifeline Service: AT&T asserts that it:

1. maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up and Toll Limitation/Restriction services including:

   a. that AT&T is in compliance with state Lifeline income certification procedures when required and that service representatives are required to obtain appropriate documentation of income

   b. that by June 22, 2005, AT&T complied with state verification procedures to validate consumers' continued eligibility for Lifeline.

E. Submission of Lifeline and Link Up Worksheet (Form FCC 497): AT&T asserts that it:

1. submitted properly completed FCC Forms 497 for each month, representing discounts actually provided to subscribers, for the months cited above, and has the required supporting documentation at the USOC level of detail for the number of subscribers, rates and other information provided on the Form 497.

F. General Record Keeping Requirements: AT&T asserts that:

1. it maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs. Documentation supporting the cost of providing Toll Limitation services for California and Nevada for the time periods subject to this audit could not currently be located. However, documentation is available for current rates being used in the FCC Forms 497 and such rates are in fact higher than the rates claimed for the audit periods.

2. if it sells Lifeline connections to resellers, AT&T requests certifications from the reseller that it is complying with the FCC's Lifeline and Link Up requirements.

March 3, 2007

John J. Stephens
Senior Vice President & Controller

Attachment 2

Federal Communications Commission's 47 C.F.R. Part 54 Rules and Related Orders with which Compliance was Examined

Carrier Eligibility:

Section 54.101 (a)

Section 54.201 (a)

Section 54.405 (a)

Advertising Supported Services:

Section 54.201 (d) (2)

Section 54.405

Rate Verification:

Section 54.101 (9)

Section 54.401 (c)

Section 54.403 (a) (1)

Section 54.403 (a) (2)

Section 54.403 (a) (3)

Section 54.403 (a) (4)

Section 54.403 (c)

Section 54.407

Section 54.411 (a) (1)

Section 54.411 (a) (3)

Section 54.417 (a)

Federal-State Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, ¶¶ 385-389 (1997))

Consumer Qualifications:

Section 54.410

Submission of FCC Form 497:

Section 54.407

General Recordkeeping:

Section 54.417 (a)

In the Matter of Lifeline and Link-Up, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶ 40 (2004)

<u>Attachment 3</u>

Comment One	**Certifications of Eligibility-Section 54.417(a) Noncompliance**
Condition	Southwestern Bell-Kansas did not provide us with certifications of eligibility for 50 of 60 sample subscribers in our May 2005 sample month.
Criteria	Section 54.417(a) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or Universal Service Administrative Company Administrator upon request. Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the USAC Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. AT&T management asserted, by letter dated March 3, 2007, that it (1) maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up, and Toll Limitation/Restriction services, and (2) maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs.
Cause	Southwestern Bell-Kansas had a one-year retention policy for subscribers' eligibility documentation. Southwestern Bell-Kansas provided us with eligibility documentation for 10 subscribers in our May 2005 sample whose records had not yet been purged from their files. However, because of the one-year retention policy, Southwestern Bell-Kansas was unable to provide certifications of eligibility for 50 of the 60 sample subscribers.
Effect	We were unable to determine whether 50 of the 60 subscribers in our May 2005 sample were eligible for Lifeline support. The Tier 1, Tier 2, and Tier 3 Lifeline support for these subscribers was $435.50 in May 2005.

Recommendation We recommend that Southwestern Bell-Kansas maintain subscribers' certifications of eligibility for at least three full calendar years.

Beneficiary Response

New federal rules regarding 54.417 about retention of subscriber data were effective May 12, 2005. Effective at that time, Southwestern Bell-Kansas implemented new retention processes for all new Lifeline customers such that the customer's application will be retained for the duration of that customer's enrollment in Lifeline or until that customer is audited.

Southwestern Bell-Kansas would like to note that the rules in question here, 47 C.F.R. §54.410 (which sets out the requirements for certification and verification of consumer qualification for Lifeline), and §54.417 (which provides, in the first instance, general recordkeeping requirements) did not become effective until May 12, 2005, the date on which OMB approval was granted to permit data collection as would be required by the two aforementioned rules. As such, the review of the company's practices for compliance with these rules should be limited only to the period of time for which these rules were in effect.

(See 70 Fed. Reg. 30110 (2005), available at: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-10113.pdf)

Auditor Response Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders was in effect during the fiscal year ended September 30, 2005, the period we audited, and we have added this section to our stated criteria. This section requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the Universal Service Administrative Company Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. In keeping with this requirement, Southwestern Bell-Kansas should have maintained certifications of eligibility for its Lifeline subscribers in our sample month of May 2005, and provided them upon request for this audit. In view of Section 54.417(a), we are recommending that Southwestern Bell-Kansas maintain subscribers' certifications of eligibility for at least three full calendar years.

Comment Two **Reseller Certifications-Section 54.417(a) Noncompliance**

Condition

Southwestern Bell-Kansas requested but did not receive certifications of compliance with FCC Lifeline and Link Up requirements from 12 resellers to whom it sold Lifeline discounted wholesale services.

Criteria

Section 54.417(a) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or Universal Service Administrative Company Administrator upon request. In addition, if an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline/Link Up programs.

AT&T management asserted, by letter dated March 3, 2007, that if it sells Lifeline connections to resellers, it requests certifications from the reseller that it is complying with the FCC's Lifeline and Link Up requirements.

Cause

Southwestern Bell-Kansas seeks certifications from Lifeline resellers on an annual basis, but not every company complies with this request. According to AT&T, the applicable FCC rule on recordkeeping obligates eligible telecommunications carriers to seek these certifications from resellers, but resellers are only obligated to provide such certifications to the FCC upon request (47 CFR § 54.417(b)) and are not obligated by the FCC's rules to provide such certifications to the eligible telecommunications carrier from whom they purchase Lifeline for subsequent resale. AT&T noted that each reseller is bound by the terms of the interconnection agreement, which generally requires the reseller to ensure that it resells Lifeline service only to eligible end users and that it complies with the appropriate documentation requirement of each state.

Effect

Southwestern Bell-Kansas did not have assurance that the 12 resellers complied with all Commission requirements governing the Lifeline/Link Up programs.

Recommendation

We recommend that Southwestern Bell-Kansas follow up, as necessary, on its requests for certifications from resellers to ensure that all resellers annually provide certifications of compliance with FCC Lifeline and Link Up requirements.

Beneficiary Response

Southwestern Bell-Kansas's current procedures to obtain certifications from CLECs [competitive local exchange carriers] include repeated verbal follow-up by the Account Managers of CLECs who have not return a signed certification by the requested date. Starting with the 2007 process to receive certifications, Southwestern Bell-Kansas continues with verbal follow-ups and if not received within 30 days of the requested date will send written notice of failure to provide such notification.

Southwestern Bell-Kansas continues to retain language such as provided below in agreements with CLECs relative to their responsibility when purchasing Lifeline Service from Southwestern Bell-Kansas on a resale basis.

"Where available for resale according to associated retail state specific tariffs, CLEC may only resell AT&T low income assistance services, (e.g. Lifeline and Link-Up services), to persons who are eligible for each such service. Further, to the extent CLEC resells services that require certification on the part of the End User, CLEC shall ensure that the End User meets all associated tariff eligibility requirements, has obtained proper certification, continues to be eligible for the program(s), and complies with all rules and regulations as established by the appropriate Commission and the state specific AT&T tariffs."

Southwestern Bell-Kansas would like to note that the rule in question here, 47 C.F.R. §54.417, which establishes the general recordkeeping requirements for which the company's practices are being reviewed, did not become effective until May 12, 2005, the date on which OMB approval was granted to validate the collection of data associated with this rule. As such, the review of the Company's practices for compliance with this rule should be limited only to the period of time for which these rules were in effect."

(See 70 Fed. Reg. 30110 (2005), available at: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-10113.pdf)

Auditor Response Our audit period was the fiscal year ended September 30, 2005. Also, AT&T management's letter dated March 3, 2007, provided assertions regarding Southwestern Bell-Kansas' compliance with the applicable program requirements of 47 C.F.R Section 54 of the FCC Rules and Regulations and Related Orders for the fiscal year ended September 30, 2005. During this period, 47 CFR § 54.417(a) became effective. This rule requires that if an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all FCC requirements governing the Lifeline/Link Up programs. To comply with this rule, Southwestern Bell-Kansas needs to take additional action to ensure that all resellers annually provide certifications of compliance with FCC Lifeline and Link Up requirements.

Comment Three **Offering Toll Limitation Services-Section 54.401(a)(3) Noncompliance**

Condition According to an AT&T official, when subscribers are enrolling in the Lifeline program, service representatives do not bring up and offer toll limitation service. The service representatives sign subscribers up for toll limitation service only if the subscribers ask. In addition, Southwestern Bell-Kansas' advertising provided for this audit did not mention toll limitation service.

Criteria Section 54.401(a)(3) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that carriers offer toll limitation to all qualifying low-income consumers at the time they subscribe to Lifeline service. If the consumer elects to receive toll limitation, that service shall become part of that consumer's Lifeline service. AT&T management asserted, by letter dated March 3, 2007 that it allows eligible consumers to voluntarily subscribe to toll blocking or toll restriction at no cost.

Cause Southwestern Bell-Kansas does not have a policy or procedures in place instructing service representatives to inform Lifeline applicants about the availability of toll limitation service and offer this service at the time the applicants subscribe to Lifeline.

Effect Qualifying low-income consumers may not know that toll limitation service is available at the time they subscribe to Lifeline. Some consumers who do not receive toll limitation service may have elected to do so if they had been informed of and offered this service.

Recommendation We recommend that Southwestern Bell-Kansas develop a policy and procedures instructing service representatives to inform Lifeline applicants about the availability of toll limitation service and offer this service at the time applicants subscribe to Lifeline.

Beneficiary Response

Southwestern Bell-Kansas service representatives understand that Lifeline customers may receive toll restriction. Southwestern Bell-Kansas is reviewing all disclosures and methods documents to ensure information about free toll restriction is adequately covered. Southwestern Bell-Kansas will review disclosure requirements with all service representatives and ensure that service representatives inform customers inquiring about Lifeline that free toll restriction is available to them. A check-off box requesting free toll restriction will be added to Lifeline applications. Southwestern Bell-Kansas service representatives will inform customers that the customer may check off the box requesting free toll restriction on the application or they may call Southwestern Bell-Kansas after they have been enrolled in Lifeline and request free toll restriction.

Comment Four **Subscriber Bill Examination-Section 54.417(a) Noncompliance**

Condition Our sample of 60 Lifeline subscribers in May 2005 included 8 subscribers whose telephone bills had bundled rates for packages of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts. However, AT&T could not provide Customer Service Records (CSRs) for the eight subscribers showing they received Lifeline discounts on their bills.

Criteria Section 54.417(a) of 47 C.F.R of the Federal Communications Commission's Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or Administrator upon request. AT&T management asserted, by letter dated March 3, 2007, that it provides discounts to qualifying subscribers for Lifeline service, and that it maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs.

Cause According to AT&T officials, CSRs going back to May 2005 are no longer available.

Effect We were unable to verify that eight Lifeline subscribers in our May 2005 sample had appropriately received Lifeline discounts on their telephone bills. The Tier 1, Tier 2, and Tier 3 Lifeline support for these subscribers was $69.68 in May 2005.

Recommendation We recommend that Southwestern Bell-Kansas maintain Lifeline subscribers' Customer Service Records for at least three full calendar years.

Beneficiary Response

Each subscriber bill that contained a bundled rate displays the various components of the package. Lifeline Service is shown on the bill as a component of the package. The price displayed on the bill included the Lifeline access service and the other components. Even though the individual prices were not shown on the bill, the fact that Lifeline Service is listed is evidence that the customer is receiving a Lifeline discount. More recent Customer Service Records show the individual prices for each component in the package and Lifeline service with the appropriate charge can be identified. Additionally, for other states being audited for similar periods, we have been able to pull CSRs and have been able to validate the appropriate Lifeline charge.

Comment Five **Form 497 Lifeline Support - Section 54.403(a) Noncompliance**

Condition

According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Southwestern Bell-Kansas' Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month; although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Criteria

According to Section 54.403(a) (2), (3), and (4) of 47 C.F.R of the FCC Rules and Regulations, Tier Two, Tier Three, and Tier Four federal Lifeline support amount will be made available to the eligible telecommunications carrier if that carrier certifies to the Universal Service Administrative Company Administrator that it will pass through the full amount of Tier Two, Tier Three, and Tier Four support to its qualifying low-income consumers. According to the instructions for completing Form 497, Line 9 on the form is for claiming the partial or pro rata amount for all partial or pro-rated subscribers. According to the instructions, this amount may be positive or negative depending on whether there are more new subscribers being added part way through a month or more subscribers disconnecting during the reported month. Page 2 of Form 497 requires the signature of an officer or employee of the company certifying that the company will pass through the full amount of all Tier Two, Tier Three, and Tier Four federal Lifeline support for which the company seeks reimbursement, as well as applicable intrastate Lifeline support, to all qualifying low-income subscribers by an equivalent reduction in the subscriber's monthly bill for local telephone service.

Cause

In determining the amount of Lifeline support claimed on the Form 497 each month, Southwestern Bell-Kansas did not take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered or left the Lifeline program some time during the month. According to AT&T officials, the approach used to determine the amount of Lifeline support claimed on the Form 497 "comes out in the wash" over time because some Lifeline subscribers come and go each month.

Effect The amount of Lifeline support claimed on the Form 497 for each month may not equal the actual Lifeline discounts passed on to subscribers for that same month, depending on (1) whether there were more new subscribers added to the Lifeline Program part way through the month or more subscribers who left the Program during the month and (2) the days of the month that subscribers were added to and left the program, which determines their pro rata discounts.

Recommendation We recommend that Southwestern Bell-Kansas take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered and left the Lifeline program when determining the amount of Lifeline support claimed on the FCC Form 497 each month.

Beneficiary Response

The Company disagrees with the auditor's premise that the Commission's existing rules and the current FCC Form 497 and instructions require an ETC seeking reimbursement for Lifeline discounts to report separately lifeline subscribers that were added to and/or dropped from the Lifeline program during any given month, rather than simply reporting the total number of current Lifeline subscribers as of a particular date at the end of the month. The Company notes in this regard that, in 2004, the Commission proposed to amend Form 497 to adopt such a requirement, but ultimately did not do so. Specifically, in September 2004, the Commission issued a public notice announcing that, beginning October 15, 2004, ETCs seeking reimbursement for Lifeline support would be required to use the revised form, which required ETCs separately to report the number of subscribers receiving such support for the whole month and the number of subscribers receiving such support for only a part of the month (as well as the total service days for such subscribers). *See Wireline Competition Bureau Announces Effective Date of Revised Form 497 Used to File Low Income Claims with USAC*, WC Docket No. 03-109, Public Notice, DA 04-3016 (rel. Sept. 21, 2004). Following this announcement, representatives of the Company and other ETCs met with Commission Staff to urge the Commission not to adopt the new form and require ETCs to break out and report separately the number of low-income subscribers receiving Lifeline support for only part of a month because those carriers did not have systems in place to separately track such subscribers and calculate pro-rated support. In response, the Commission delayed, and later suspended indefinitely, adoption of the new form. *See Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support*, WC Docket No. 03-109, Public Notice, DA 04-3188 (rel. Oct. 4, 2004) (delaying the effective date of the new form until April 15, 2005); *Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support Until Further Notice*, WC Docket No. 03-109, Public Notice, DA 05-604 (Mar. 4, 2005) (delaying the effective date until further notice). Plainly, if the Commission had intended to require, rather than permit, ETCs to seek pro-rated support for Lifeline subscribers who take service for only a part of a month, it would have adopted the new form – the fact that it did not do so establishes that there currently is no requirement that carriers separately report and seek pro-rated support for such customers.

The language of the instructions to the current form is not to the contrary. In particular, the instructions for Line 9, which the auditors cite as support for the purported requirement that ETCs separately report partial-month subscribers, state only that ETC's should use Line 9 "***if***" they are claiming partial or pro-rata dollars: "If claiming partial or pro-rata dollars, check box on line 9." Likewise, Line 9 on the actual form itself provides: "Check box to the right ***if*** partials or pro rata amounts are used." (Emphasis added.) The instructions and form thus simply identify where on the form a carrier should report partial-month subscriber data if the carrier is able to and chooses to do so.

Auditor Response According to USAC, The carrier should only be claiming support equal to the amount they are passing to its subscribers and should only be giving support to subscribers for the time they are actually receiving the discount.

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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We have examined management's assertions included in their letter dated March 3, 2007, that Southwestern Bell-Kansas complied with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders, relative to disbursements of $1,963,977.00 for Low Income Support Program services made from the Universal Service Fund during the fiscal year ended September 30, 2005, and have issued our report thereon dated April 5, 2007. In planning and performing our examination, we considered internal control in order to determine our examination procedures for the purpose of expressing our opinion on management's assessment. An examination does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our examination we noted a matter related to immaterial noncompliance with Low Income Support Program requirements that is presented for your consideration. This has been discussed with the appropriate members of management, and is intended to result in improved compliance with Low Income Support Program requirements and is summarized as follows:

Comment **Subscriber Count Verification--Section 54.417(a) and Section 54.407(c) Noncompliance**

Condition Southwestern Bell-Kansas could not provide an electronic listing with data for Low Income program subscribers for which support was claimed on Federal Communications Commission (FCC) Form 497 for our sample month of November 2004. Southwestern Bell-Kansas provided an electronic subscriber listing of subscribers for May 2005. However, the electronic listing does not agree with the Form 497 and supporting summary documents for the number of Link Up subscribers and the number of subscribers for whom Toll Limitation Services (TLS) were initiated. The electronic subscriber listing shows 66 Link up and 41 new TLS subscribers, while the Form 497 and supporting summary documents show 65 Link Up and 56 new TLS subscribers in May 2005. The electronic listing also showed four instances of duplicate Lifeline discounts to subscribers.

Criteria Section 54.417(a) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or Universal Service Administrative Company Administrator upon request. In addition, Section 54.407(c) requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart.

However, the FCC's Rules do not identify the specific types of records carriers must retain to substantiate the amounts claimed on the Form 497.

AT&T management asserted, by letter dated March 3, 2007, that it submitted properly completed Forms 497 for each month during the year ended September 30, 2005, and has required supporting documentation at the USOC level of detail [i.e., summary reports of selected billing activity that tabulate reimbursable Lifeline transactions] for the number of subscribers, rates, and other information provided on Form 497.

Cause

Southwestern Bell-Kansas was unable to provide the November 2004 electronic subscriber listing due to the age of the data. According to AT&T officials, subscriber counts on the May 2005 electronic subscriber listing provided by Southwestern Bell-Kansas differ from the Form 497 and supporting summary documentation because a different source (history tables) had be used to restore and recreate old data for the listing. The officials said that data used to prepare Form 497 comes from Southwestern Bell-Kansas' billing system, which contains data that is usually no more than 18 months old. After 18 months, most billing system data is put into history tables. The officials said that the different process used to retrieve old data for the May 2005 electronic subscriber listing can result in some data being lost, and the billing system data (i.e., the Form 497 and supporting documentation) is more accurate than the electronic subscriber listing that was provided.

Effect

We were unable to use electronic subscriber listings to verify and attest to the accuracy of all Form 497 subscriber counts for November 2004 and May 2005. Since the FCC's rules do not specify the type of record carriers must retain, we accepted the USOC level of detail as support for the Form 497. Therefore, this matter is not a rule violation. The financial effect of the discrepancy in the Link Up count is a $15.50 underpayment of support in May 2005, and the financial effect of the discrepancy in the TLS count is a $25.80 overpayment of support in May 2005. The financial effect of the four instances of duplicate Lifeline discounts to subscribers is a $34.84 overpayment of support in May 2005. In addition, because we could not obtain an electronic listing of subscribers in our sample month of November 2004, we could not select a sample of subscribers to (1) examine subscribers' bills to ensure that Southwestern Bell-Kansas passed on the appropriate support amounts to November 2004 subscribers, and (2) verify Southwestern Bell-Kansas' compliance with subscriber eligibility certification requirements for November 2004 subscribers.

Recommendation Although not required by FCC rules, we recommend that Southwestern Bell-Kansas develop a process to capture Lifeline subscriber data from its billing system enabling Southwestern Bell-Kansas to provide a better audit trail of more reliable and accurate information needed to verify compliance with FCC Rules and Regulations and Related Orders, including verification of the accuracy of Form 497 subscriber counts and the revenues Southwestern Bell-Kansas forgoes in providing Lifeline service.

Beneficiary Response The subscriber listings for TLS and Link-up subscribers were pulled from history tables. The actual Form 497 data is pulled from a current table and as a result there are some differences. The documentation maintained to support the Form 497 (and provided to the auditors) is a summary level report pulled from the current table (rather than the detailed subscriber level report). This summary level report does agree with the amounts claimed on the Form 497. The Company does not find anything in the rules/regulations specifically requiring maintaining detailed subscriber listings. Notwithstanding that, the current monthly process for pulling the data for the Form 497 includes pulling data at a subscriber level of detail. This will enable the subscriber detail that matches the 497 to be available for future audits. Regarding the months involved in this audit, the Company believes the summary level reports are accurate because the current months where the subscriber level detail is available, agrees with the summary level report used to support the amount claimed on the Form 497.

Our examination procedures are designed primarily to enable us to form an opinion on management's assertions about Southwestern Bell-Kansas' compliance with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of Southwestern Bell-Kansas' management, and others within the organization, Universal Service Administrative Company and the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties

Washington, DC
April 5, 2007

Thompson, Cobb, Bazilio & Associates, P.C.

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 3, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell-Kansas (LI-2006-207)

USAC management has reviewed the IPIA Audit of Southwestern Bell-Kansas (415214). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-207 Opinion:
Southwestern Bell-Kansas did not provide us with certifications of eligibility for 50 of 60 sample subscribers in our May 2005 sample month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. A carrier is eligible to receive Lifeline reimbursement "based on the number of qualifying low-income consumers it serves"[1]. The carrier cannot prove that its subscribers were eligible for Lifeline during the audit period. USAC will recover support for the 47 subscribers for which the company cannot provide documentation of eligibility during the two sample months.

Condition 2 LI-2006-207 Opinion:
Southwestern Bell-Kansas requested but did not receive certifications of compliance with FCC Lifeline and Link Up requirements from 12 resellers to whom it sold Lifeline discounted wholesale services.

Management Response:
The company should ensure that it retains reseller certifications in accordance with the federal rules. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 3 LI-2006-207 Opinion:
According to an AT&T official, when subscribers are enrolling in the Lifeline program, service representatives do not bring up and offer toll limitation service. The service representatives sign subscribers up for toll limitation service only if the subscribers ask. In addition, Southwestern Bell-Kansas' advertising provided for this audit did not mention toll limitation service.

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[1] *See* 47 C.F.R § 54.407(a)

Management Response:
Eligible telecommunications carriers are required to advertise all services supported under 47 C.F.R. § 54.101(a)[2]. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 4 LI-2006-207 Opinion:
Our sample of 60 Lifeline subscribers in May 2005 included 8 subscribers whose telephone bills had bundled rates for packages of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts. However, AT&T could not provide Customer Service Records (CSRs) for the eight subscribers showing they received Lifeline discounts on their bills.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[3] USAC concurs with the comment, effect and recommendation in the Management Letter. Although the carrier did not have Customer Service Records, it was able to provide the auditors with documentation to demonstrate that Lifeline discounts were applied to their bundle subscribers. Accordingly, USAC will not recover support as a result of this finding.

Condition 5 LI-2006-207 Opinion:
According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Southwestern Bell-Kansas' Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month; although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. Line 9 (pro-rata support) of FCC Form 497 should be used by carriers to adjust their support claim if they lose or gain Lifeline subscribers throughout the month. A carrier is not entitled to be reimbursed for a full month of support for a

[2] *See* 47 C.F.R. § 54.201(d)(2)
[3] *See* 47 C.F.R § 54.407(c)

subscriber that began Lifeline service mid-month[4]. The instructions to Line 9 of FCC Form 497 include the word "if" because pro-rating is not mandatory unless a company has Lifeline customers who started or terminated Lifeline support mid-month. A company might have months in which it neither lost nor gained Lifeline customers. In those instances, the company would not pro-rate Lifeline support. Accordingly, the instructions to FCC Form 497 include the permissive "if" because companies that have maintained the same number of Lifeline subscribers throughout a month will not have to pro-rate their Lifeline support.

The FCC had considered adopting a complicated formula for calculating pro-rata support, but the OMB-approved version of the form that contained this formula was not implemented. The FCC has not, however, adopted a policy that allows companies to assume that added and deleted Lifeline accounts "come out in the wash" each month; line 9 of FCC Form 497 is designed to capture pro-rated amounts. A carrier has a responsibility to maintain accurate records of the revenue it forgoes in providing the Lifeline discounts[5].

This concludes the USAC management response to the audit.

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[4] *See* 47 C.F.R § 54.407(a). Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

[5] *See* 47 C.F.R § 54.407(c).

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 3, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell—Kansas Telephone Company (LI-2006-207)

USAC management has reviewed the IPIA Audit of Southwestern Bell—Kansas Telephone Company (415214). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-207 Management Letter:
Southwestern Bell-Kansas could not provide an electronic listing with data for Low Income program subscribers for which support was claimed on Federal Communications Commission (FCC) Form 497 for our sample month of November 2004. Southwestern Bell-Kansas provided an electronic subscriber listing of subscribers for May 2005. However, the electronic listing does not agree with the Form 497 and supporting summary documents for the number of Link Up subscribers and the number of subscribers for whom Toll Limitation Services (TLS) were initiated. The electronic subscriber listing shows 66 Link up and 41 new TLS subscribers, while the Form 497 and supporting summary documents show 65 Link Up and 56 new TLS subscribers in May 2005. The electronic listing also showed four instances of duplicate Lifeline discounts to subscribers.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[1] As the auditors note, however, the Commission's rules do not specify the specific type of records a carrier must maintain in order to substantiate its support claims. For this reason, USAC concurs with the comment, effect and recommendation in the Management Letter.

This concludes the USAC management response to the audit.

[1] *See* 47 C.F.R § 54.407(c)

Appendix F

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC
Certified Public Accountants and Management, Systems, and Financial Consultants

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Independent Accountant's Report
LI-2006-208

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525 Market Street, 19th Floor #21
San Francisco, CA 94105

Universal Service Administrative Company
2000 L Street, N.W.
Suite 200
Washington, D.C. 20036
Attn: Internal Audit

Federal Communications Commission:
445 12th Street SW
Washington, DC 20554
Attn: Inspector General

We have examined management's assertions (Attachment 1) included in their letter dated March 3, 2007, that Southwestern Bell-Oklahoma (Study Area Code 435215) complied with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders identified in Attachment 2, relative to disbursements of $13,904,367.00 for Low Income Program Support services made from the Universal Service Fund during the fiscal year ended September 30, 2005. Southwestern Bell-Oklahoma's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about Southwestern Bell-Oklahoma's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about Southwestern Bell-Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Southwestern Bell-Oklahoma's compliance with specified requirements.

In conducting our examination we found material deviations from program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders. First, Southwestern Bell-Oklahoma was unable to provide eligibility certification forms for 28 sample subscribers in our March 2005 sample and 29 sample subscribers in our May 2005 sample, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. Second, Southwestern Bell-Oklahoma did not have certifications of compliance with Federal Communications Commission Lifeline and Link Up requirements for 5 of 10 resellers, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. Third, Southwestern Bell-Oklahoma did not comply with 47 C.F.R. §54.401(a)(3), which requires that carriers offer toll limitation to all qualifying low-income consumers at the time they subscribe to Lifeline service. Fourth, we were unable to verify that 8 Lifeline subscribers in our March 2005 sample month and 10 Lifeline subscribers in our May 2005 sample month had appropriately received Lifeline discounts on their telephone bills. These sample subscribers each had a telephone bill with a bundled rate for a package of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts, but AT&T could not provide documentation showing that these subscribers received Lifeline discounts on their bills, a violation of 47 C.F.R. §54.417(a) recordkeeping requirements. Fifth, Southwestern Bell - Oklahoma was not determining pro rata discounts for Lifeline customers who were eligible for only partial months. Detailed information relative to these instances of material noncompliance is described in Attachment 3.

In our opinion, except for the material deviations from the criteria described in the preceding paragraph, management's assertions that Southwestern Bell-Oklahoma complied with the aforementioned requirements relative to disbursements of $13,904,367.00 for Low Income Support services made from the Universal Service Fund for the fiscal year ended September 30, 2005, are fairly stated, in all material respects.

In addition, and in accordance with *Government Auditing Standards*, we noted an instance of immaterial noncompliance that we have reported to Southwestern Bell-Oklahoma in a separate letter dated April 5, 2007.

This report is intended solely for the information and use of Southwestern Bell-Oklahoma, the Federal Communications Commission of the United States of America and the Universal Service Administrative Company and is not intended to be and should not be used by anyone other than these specified parties.

Thompson, Cobb, Bazilio & Associates, P.C.

Washington, DC
April 5, 2007

Attachment 1

AT&T Assertion Letter for Study Area Codes
545170 (Pacific Bell), 445216 (Southwestern Bell – Texas), 325080 (Indiana Bell), 415213 (Southwestern Bell – Kansas), 435215 (Southwestern Bell – Oklahoma) and 555173 (Nevada Bell)

Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Section 54 of the Federal Communications Commission's Rules, Regulations and Related Orders

Management of AT&T is responsible for ensuring that the carrier is in compliance with applicable requirements of the Federal Communications Commission (FCC) rules at 47 C.F.R. §§ 54.101, 54.201 -- 54.209, and 54.400 – 54.417 as well as related FCC Orders.

Management has performed an evaluation of the carrier's compliance with the applicable requirements of FCC rules at 47 C.F.R. §§ 54.101, 54.201 -- 54.209, and 54.400 -- 54.417, and related FCC Orders with respect to providing discounts to eligible low income consumers and seeking reimbursement from the Universal Service Fund (USF) during the year ended September 30, 2005.

AT&T makes the following assertions with respect to Low Income Program reimbursements received from the USF for Study Area Codes listed above for year ended September 30, 2005:

A. Carrier Eligibility – AT&T asserts that it:

1. is an eligible telecommunications carrier (ETC) that provides the services that an eligible carrier must offer to receive federal universal service support. (See the attached documents/orders showing ETC status for each of the six states.)

2. makes available Lifeline service, as defined in 54.401, to qualifying low-income consumers.

B. Advertising Supported Services: AT&T asserts that it publicizes the availability of supported services in a manner reasonably designed to reach those likely to qualify for Lifeline and Toll Limitation Support services.

C. Rate verification – AT&T asserts that it:

1. provides discounts to qualifying subscribers for Lifeline service:

   i. Tier 1: Available to all eligible Lifeline subscribers equal to the Incumbent Local Exchange Carrier's (ILEC's) actual federal tariffed subscriber line charge.

   ii. Tier 2: $1.75 per month available to qualified low-income consumers, if the carrier received any non-federal approvals necessary to implement the required rate reduction and passes through the full amount of Tier 2 support to the qualifying low-income consumer

   iii. Tier 3: An additional amount of federal Lifeline support equal to one-half the amount of any State-mandated Lifeline support, or one half of any Lifeline support provided by the Service Provider, up to a maximum of $1.75 per month.

   iv. Tier 4: Additional federal Lifeline support of up to $25 per month to eligible residents of tribal lands, as defined in § 54.400 (e), as long as the amount does not bring the basic local residential rate below $1 per month per qualifying low-income subscriber.

2. provides discounts to qualifying subscribers for Link Up service:

i. a reduction of half of the customary Carrier charge or $30, whichever is less, for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence.

ii. for an eligible resident of Tribal lands, an additional reduction of up to $70 to cover 100 percent of the charges between $60 and $130 for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence.

3. allows eligible consumers to voluntarily subscribe to toll blocking or toll restriction at no cost, and

   i. maintains methods and procedures whereby customers who qualify for Lifeline, Link-up and Toll Limitation/Restriction service are not required to post a security deposit for obtaining such service

   ii. only claim the incremental cost of providing the service which specifies that Lifeline support for providing toll limitation or toll restriction shall equal the ETC's incremental cost of providing either toll blocking or toll restriction.

D. Consumer Qualification for Lifeline Service: AT&T asserts that it:

1. maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up and Toll Limitation/Restriction services including:

   a. that AT&T is in compliance with state Lifeline income certification procedures when required and that service representatives are required to obtain appropriate documentation of income

   b. that by June 22, 2005, AT&T complied with state verification procedures to validate consumers' continued eligibility for Lifeline.

E. Submission of Lifeline and Link Up Worksheet (Form FCC 497): AT&T asserts that it:

1. submitted properly completed FCC Forms 497 for each month, representing discounts actually provided to subscribers, for the months cited above, and has the required supporting documentation at the USOC level of detail for the number of subscribers, rates and other information provided on the Form 497.

F. General Record Keeping Requirements: AT&T asserts that:

1. it maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs. Documentation supporting the cost of providing Toll Limitation services for California and Nevada for the time periods subject to this audit could not currently be located. However, documentation is available for current rates being used in the FCC Forms 497 and such rates are in fact higher than the rates claimed for the audit periods.

2. if it sells Lifeline connections to resellers, AT&T requests certifications from the reseller that it is complying with the FCC's Lifeline and Link Up requirements.

March 3, 2007

John J. Stephens
Senior Vice President & Controller

Attachment 2

Federal Communications Commission's 47 C.F.R. Part 54 Rules and Related Orders with which Compliance was Examined

Carrier Eligibility:

Section 54.101 (a)

Section 54.201 (a)

Section 54.405 (a)

Advertising Supported Services:

Section 54.201 (d) (2)

Section 54.405

Rate Verification:

Section 54.101 (9)

Section 54.401 (c)

Section 54.403 (a) (1)

Section 54.403 (a) (2)

Section 54.403 (a) (3)

Section 54.403 (a) (4)

Section 54.403 (c)

Section 54.407

Section 54.411 (a) (1)

Section 54.411 (a) (3)

Section 54.417 (a)

Federal-State Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, ¶¶ 385-389 (1997))

Consumer Qualifications:

Section 54.410

Submission of FCC Form 497:

Section 54.407

General Recordkeeping:

Section 54.417 (a)

In the Matter of Lifeline and Link-Up, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 19 FCC Rcd 8302, ¶ 40 (2004)

Attachment 3

Comment One	**Subscriber Certifications of Eligibility--Section 54.417(a) and Section 54.407(c) Noncompliance**
Condition	Southwestern Bell-Oklahoma did not provide us with certifications of eligibility for 28 of 40 sample subscribers in our March 2005 sample and 29 of 34 sample subscribers in our May 2005 sample. Our sample size was 60 subscribers for each month, but 20 subscribers in our March 2005 sample and 26 subscribers in our May 2005 sample were not Southwestern Bell-Oklahoma customers—they were customers of other carriers (resellers) who had purchased Lifeline discounted wholesale services from Southwestern Bell-Oklahoma. According to AT&T, it is the resellers' responsibility to obtain eligibility documentation for these subscribers, and Southwestern Bell-Oklahoma never obtained such documentation.
Criteria	Section 54.417(a) of 47 C.F.R of the Federal Communications Commission's (FCC) Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or USAC Administrator upon request. Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the Universal Service Administrative Company Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. AT&T management asserted, by letter dated March 3, 2007, that it (1) maintains policies and procedures that are effectively implemented to review and certify consumer eligibility for Lifeline, Link Up, and Toll Limitation/Restriction services, and (2) maintains records to document compliance with all FCC and state requirements governing the Lifeline and Link Up programs.
Cause	Southwestern Bell-Oklahoma had a one-year retention policy for subscribers' eligibility documentation. Southwestern Bell-Oklahoma provided us with eligibility documentation for 12 subscribers in our March 2005 sample and 6 subscribers in our May 2005 sample whose records had not yet been purged from their files. However, because of the one-year retention policy, Southwestern Bell-

Oklahoma was unable to provide certifications of eligibility for 28 of 40 sample subscribers in March 2005 and 28 of 34 sample subscribers in May 2005. For one other sample subscriber in May 2005, Southwestern Bell-Oklahoma provided evidence of the subscriber's participation in a qualifying program, but the subscriber's certification of eligibility was missing.

Effect For our sample subscribers who were Southwestern Bell-Oklahoma customers, we were unable to determine whether 28 of 40 subscribers in March 2005 and 29 of 34 subscribers in May 2005 were eligible for Lifeline support. The Tier 1, Tier 2, and Tier 3 Lifeline support for these subscribers was $198.52 in March 2005 and $205.03 in May 2005.

Recommendation We recommend that Southwestern Bell-Oklahoma maintain subscribers' certifications of eligibility for at least three full calendar years.

Beneficiary Response

New federal rules regarding 54.417 about retention of subscriber data were effective May 12, 2005. Effective at that time, Southwestern Bell-Oklahoma implemented new retention processes for all new Lifeline customers such that the customer's application will be retained for the duration of that customer's enrollment in Lifeline or until that customer is audited.

Southwestern Bell-Oklahoma would like to note that the rules in question here, 47 C.F.R. §54.410 (which sets out the requirements for certification and verification of consumer qualification for Lifeline), and §54.417 (which provides, in the first instance, general recordkeeping requirements) did not become effective until May 12, 2005, the date on which OMB approval was granted to permit data collection as would be required by the two aforementioned rules. As such, the review of the company's practices for compliance with these rules should be limited only to the period of time for which these rules were in effect.

(See 70 Fed. Reg. 30110 (2005), available at: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-10113.pdf)

Auditor Response Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations and Related Orders was in effect during the fiscal year ended September 30, 2005, the period we audited, and we have added this section to our stated criteria. This section requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the Universal Service Administrative Company

Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart. In keeping with this requirement, Southwestern Bell-Oklahoma should have maintained certifications of eligibility for its Lifeline subscribers in our sample months of March 2005 and May 2005, and provided them upon request for this audit. In view of Section 54.417(a), we are recommending that Southwestern Bell-Oklahoma maintain subscribers' certifications of eligibility for at least three full calendar years.

Comment Two **Reseller Certifications--Section 54.417(a) Noncompliance**

Condition

Southwestern Bell-Oklahoma requested but did not receive certifications of compliance with FCC Lifeline and Link Up requirements from 5 of 10 resellers to whom it sold Lifeline discounted wholesale services.

Criteria

Section 54.417(a) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or USAC Administrator upon request. In addition, if an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all Commission requirements governing the Lifeline/Link Up programs.

AT&T management asserted, by letter dated March 3, 2007, that if it sells Lifeline connections to resellers, it requests certifications from the reseller that it is complying with the FCC's Lifeline and Link Up requirements.

Cause

Southwestern Bell-Oklahoma seeks certifications from Lifeline resellers on an annual basis, but not every company complies with this request. According to AT&T, the applicable FCC rule on recordkeeping obligates eligible telecommunications carriers to seek these certifications from resellers, but resellers are only obligated to provide such certifications to the FCC upon request (47 CFR § 54.417(b)) and are not obligated by the FCC's rules to provide such certifications to the eligible telecommunications carrier from whom they purchase Lifeline for subsequent resale. AT&T noted that each reseller is bound by the terms of the interconnection agreement, which generally requires the reseller to ensure that it resells Lifeline service only to eligible end users and that it complies with the appropriate documentation requirement of each state.

Effect Southwestern Bell-Oklahoma did not have assurance that five resellers complied with all Commission requirements governing the Lifeline/Link Up programs.

Recommendation We recommend that Southwestern Bell-Oklahoma follow up, as necessary, on its requests for certifications from resellers to ensure that all resellers annually provide certifications of compliance with FCC Lifeline and Link Up requirements.

Beneficiary Response

Southwestern Bell-Oklahoma's current procedures to obtain certifications from [competitive local exchange carriers] CLECs include repeated verbal follow-up by the Account Managers of CLECs who have not return a signed certification by the requested date. Starting with the 2007 process to receive certifications, Southwestern Bell-Oklahoma continues with verbal follow-ups and if not received within 30 days of the requested date will send written notice of failure to provide such notification.

Southwestern Bell-Oklahoma continues to retain language such as provided below in agreements with CLECs relative to their responsibility when purchasing Lifeline Service from Southwestern Bell-Oklahoma on a resale basis.

"Where available for resale according to associated retail state specific tariffs, CLEC may only resell AT&T low income assistance services, (e.g. Lifeline and Link-Up services), to persons who are eligible for each such service. Further, to the extent CLEC resells services that require certification on the part of the End User, CLEC shall ensure that the End User meets all associated tariff eligibility requirements, has obtained proper certification, continues to be eligible for the program(s), and complies with all rules and regulations as established by the appropriate Commission and the state specific AT&T tariffs."

Southwestern Bell-Oklahoma would like to note that the rule in question here, 47 C.F.R. §54.417, which establishes the general recordkeeping requirements for which the company's practices are being reviewed, did not become effective until May 12, 2005, the date on which OMB approval was granted to validate the collection of data associated with this rule. As such, the review of the Company's practices for compliance with this rule should be limited only to the period of time for which these rules were in effect."

(See 70 Fed. Reg. 30110 (2005), available at: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-10113.pdf)

Auditor Response Our audit period was the fiscal year ended September 30, 2005. Also, AT&T management's letter dated March 3, 2007, provided assertions regarding Southwestern Bell-Oklahoma's compliance with the applicable program requirements of 47 C.F.R Section 54 of the FCC Rules and Regulations and Related Orders for the fiscal year ended September 30, 2005. During this period, 47 CFR § 54.417(a) became effective. This rule requires that if an eligible telecommunications carrier provides Lifeline discounted wholesale services to a reseller, it must obtain a certification from that reseller that it is complying with all FCC requirements governing the Lifeline/Link Up programs. To comply with this rule, Southwestern Bell-Oklahoma needs to take additional action to ensure that all resellers annually provide certifications of compliance with FCC Lifeline and Link Up requirements.

Comment Three **Offering Toll Limitation Services--Section 54.401(a)(3) Noncompliance**

Condition According to an AT&T official, when subscribers are enrolling in the Lifeline program, service representatives do not bring up and offer toll limitation service. The service representatives sign subscribers up for toll limitation service only if the subscribers ask. In addition, Southwestern Bell-Oklahoma's advertising provided for this audit did not mention toll limitation service.

Criteria Section 54.401(a)(3) of 47 C.F.R of the FCC Rules and Regulations and Related Orders requires that carriers offer toll limitation to all qualifying low-income consumers at the time they subscribe to Lifeline service. If the consumer elects to receive toll limitation, that service shall become part of that consumer's Lifeline service.

AT&T management asserted, by letter dated March 3, 2007, that it allows eligible consumers to voluntarily subscribe to toll blocking or toll restriction at no cost.

Cause Southwestern Bell-Oklahoma does not have a policy or procedures in place instructing service representatives to inform Lifeline applicants about the availability of toll limitation service and offer this service at the time the applicants subscribe to Lifeline.

Effect Qualifying low-income consumers may not know that toll limitation service is available at the time they subscribe to Lifeline. Some consumers who do not receive toll limitation service may have elected to do so if they had been informed of and offered this service.

Recommendation We recommend that Southwestern Bell-Oklahoma develop a policy and procedures instructing service representatives to inform Lifeline applicants about the availability of toll limitation service and offer this service at the time applicants subscribe to Lifeline.

Beneficiary Response

Southwestern Bell-Oklahoma service representatives understand that Lifeline customers may receive toll restriction. Southwestern Bell-Oklahoma is reviewing all disclosures and methods documents to ensure information about free toll restriction is adequately covered. Southwestern Bell-Oklahoma will review disclosure requirements with all service representatives and ensure that service representatives inform customers inquiring about Lifeline that free toll restriction is available to them. A check-off box requesting free toll restriction will be added to Lifeline applications. Southwestern Bell-Oklahoma service representatives will inform customers that the customer may check off the box requesting free toll restriction on the application or may call Southwestern Bell-Oklahoma after they have been enrolled in Lifeline and request free toll restriction.

Comment Four **Subscriber Bill Examination--Section 54.417(a) Noncompliance**

Condition Our sample of 60 Lifeline subscribers in each of March 2005 and May 2005 included 18 subscribers (8 in March and 10 in May) whose telephone bills had bundled rates for packages of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts. However, AT&T could not provide Customer Service Records (CSRs) for the 18 sample subscribers showing they received Lifeline discounts on their bills.

Criteria Section 54.417(a) of 47 C.F.R of the Federal Communications Commission's Rules and Regulations and Related Orders requires that eligible telecommunications carriers must maintain records to document compliance with all Commission and state requirements governing the Lifeline/Link Up programs for three full preceding calendar years and provide that documentation to the Commission or Universal Service Administrative Company Administrator upon request. AT&T management asserted, by letter dated March 3, 2007, that it provides discounts to qualifying subscribers for Lifeline service, and that it maintains records to document compliance with all Federal Communications Commission and state requirements governing the Lifeline and Link Up programs.

Cause According to AT&T officials, CSRs going back to March 2005 and May 2005 are no longer available.

Effect We were unable to verify that 8 Lifeline subscribers in our March 2005 sample and 10 Lifeline subscribers in our May 2005 sample had appropriately received Lifeline discounts on their telephone bills. The Tier 1, Tier 2, and Tier 3 Lifeline support was $56.68 for the 8 subscribers in our March 2005 sample and $71.11 for the 10 subscribers in our May 2005 sample.

Recommendation We recommend that Southwestern Bell-Oklahoma maintain Lifeline subscribers' Customer Service Records for at least three full calendar years.

Beneficiary Response

Each subscriber bill that contained a bundled rate displays the various components of the package. Lifeline Service is shown on the bill as a component of the package. The price displayed on the bill included the Lifeline access service and the other components. Even though the individual prices were not shown on the bill, the fact that Lifeline Service is listed is evidence that the customer is receiving a Lifeline discount. More recent Customer Service Records show the individual prices for each component in the package and Lifeline service with the appropriate charge can be identified. Additionally, for other states being audited for similar periods, we have been able to pull CSRs and have been able to validate the appropriate Lifeline charge.

Comment Five **Form 497 Lifeline Support—Section 54.403(a) Noncompliance**

Condition According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Southwestern Bell-Oklahoma's Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month; although these subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Criteria According to Section 54.403(a) (2), (3), and (4) of 47 C.F.R of the FCC Rules and Regulations, Tier Two, Tier Three, and Tier Four federal Lifeline support amount will be made available to the eligible telecommunications carrier if that carrier certifies to the Universal

Service Administrative Company Administrator that it will pass through the full amount of Tier Two, Tier Three, and Tier Four support to its qualifying low-income consumers. According to the instructions for completing Form 497, Line 9 on the form is for claiming the partial or pro rata amount for all partial or pro-rated subscribers. According to the instructions, this amount may be positive or negative depending on whether there are more new subscribers being added part way through a month or more subscribers disconnecting during the reported month. Page 2 of Form 497 requires the signature of an officer or employee of the company certifying that the company will pass through the full amount of all Tier Two, Tier Three, and Tier Four federal Lifeline support for which the company seeks reimbursement, as well as applicable intrastate Lifeline support, to all qualifying low-income subscribers by an equivalent reduction in the subscriber's monthly bill for local telephone service.

Cause

In determining the amount of Lifeline support claimed on the Form 497 each month, Southwestern Bell-Oklahoma did not take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered or left the Lifeline program some time during the month. According to AT&T officials, the approach used to determine the amount of Lifeline support claimed on the Form 497 "comes out in the wash" over time because some Lifeline subscribers come and go each month.

Effect

The amount of Lifeline support claimed on the Form 497 for each month may not equal the actual Lifeline discounts passed on to subscribers for that same month, depending on (1) whether there were more new subscribers added to the Lifeline Program part way through the month or more subscribers who left the Program during the month and (2) the days of the month that subscribers were added to and left the program, which determines their pro rata discounts.

Recommendation

We recommend that Southwestern Bell-Oklahoma take into account the partial (i.e., pro rata) Lifeline discounts given to subscribers who entered and left the Lifeline program when determining the amount of Lifeline support claimed on the FCC Form 497 each month.

Beneficiary Response

The Company disagrees with the auditor's premise that the Commission's existing rules and the current FCC Form 497 and instructions require an ETC seeking reimbursement for Lifeline discounts to report separately lifeline subscribers that were added to and/or dropped from the Lifeline program during any given month, rather than simply reporting the total number of current Lifeline subscribers as of a particular date at the end of the month. The Company notes in this regard that, in 2004, the Commission proposed to amend Form 497 to adopt such a requirement, but ultimately did not do so. Specifically, in September 2004, the Commission issued a public notice announcing that, beginning October 15, 2004, ETCs seeking reimbursement for Lifeline support would be required to use the revised form, which required ETCs separately to report the number of subscribers receiving such support for the whole month and the number of subscribers receiving such support for only a part of the month (as well as the total service days for such subscribers). *See Wireline Competition Bureau Announces Effective Date of Revised Form 497 Used to File Low Income Claims with USAC*, WC Docket No. 03-109, Public Notice, DA 04-3016 (rel. Sept. 21, 2004). Following this announcement, representatives of the Company and other ETCs met with Commission Staff to urge the Commission not to adopt the new form and require ETCs to break out and report separately the number of low-income subscribers receiving Lifeline support for only part of a month because those carriers did not have systems in place to separately track such subscribers and calculate pro-rated support. In response, the Commission delayed, and later suspended indefinitely, adoption of the new form. *See Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support*, WC Docket No. 03-109, Public Notice, DA 04-3188 (rel. Oct. 4, 2004) (delaying the effective date of the new form until April 15, 2005); *Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support Until Further Notice*, WC Docket No. 03-109, Public Notice, DA 05-604 (Mar. 4, 2005) (delaying the effective date until further notice). Plainly, if the Commission had intended to require, rather than permit, ETCs to seek pro-rated support for Lifeline subscribers who take service for only a part of a month, it would have adopted the new form – the fact that it did not do so establishes that there currently is no requirement that carriers separately report and seek pro-rated support for such customers.

The language of the instructions to the current form is not to the contrary. In particular, the instructions for Line 9, which the auditors cite as support for the purported requirement that ETCs separately report partial-month subscribers, state only that ETC's should use Line 9 "***if***" they are claiming partial or pro-rata dollars: "If claiming partial or pro-rata dollars, check box on line 9." Likewise, Line 9 on the actual form itself provides: "Check box to the right ***if*** partials or pro rata amounts are used." (Emphasis added.) The instructions and form thus simply identify where on the form a carrier should report partial-month subscriber data if the carrier is able to and chooses to do so.

Auditor Response According to USAC, The carrier should only be claiming support equal to the amount they are passing to its subscribers and should only be giving support to subscribers for the time they are actually receiving the discount.

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Southwestern Bell-Oklahoma
525 Market Street, 19th Floor #21
San Francisco, CA 94105

We have examined management's assertions included in their letter dated March 3, 2007, that Southwestern Bell-Oklahoma complied with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations and Related Orders, relative to disbursements of $13,904,367.00 for Low Income Support Program services made from the Universal Service Fund during the fiscal year ended September 30, 2005, and have issued our report thereon dated April 5, 2007. In planning and performing our examination, we considered internal control in order to determine our examination procedures for the purpose of expressing our opinion on management's assessment. An examination does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our examination a matter related to immaterial noncompliance with Low Income Support Program requirements that is presented for your consideration. This matter was discussed with the appropriate members of management, and is intended to result in improved compliance with Low Income Support Program requirements and is summarized as follows:

Comment **Subscriber Count Verification--Section 54.407(c) Noncompliance**

Condition Southwestern Bell-Oklahoma provided electronic listings of Low Income Program subscribers for which support was claimed on Federal Communications Commission (FCC) Form 497 for March 2005 and May 2005. While the electronic listings agree with the Lifeline subscriber counts on the Form 497 and supporting summary schedules for both months, other data on the electronic listings do not agree. The electronic listings show 1,682 Link Up subscribers in March 2005, while the Form 497 and supporting summary documents show 1,681 Link Up subscribers; the electronic listings show 487 new toll limitation services (TLS) subscribers in March 2005, while the Form 497 and supporting summary documents show 520 new TLS subscribers; and the electronic listings show 442 new TLS subscribers in May 2005, while the Form 497 and supporting summary documents show 505 new TLS subscribers. The electronic listing for March 2005 also showed 16 instances of duplicate Lifeline discounts to subscribers.

Criteria

Section 54.407(c) of 47 C.F.R of the FCC Rules and Regulations requires that, in order to receive universal support reimbursement, each eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline service. Such records shall be kept in the form directed by the Universal Service Administrative Company Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this subpart.

However, the FCC's Rules do not identify the specific types of records carriers must retain to substantiate the amounts claimed on the Form 497.

AT&T management asserted, by letter dated March 3, 2007, that it submitted properly completed Forms 497 for each month during the year ended September 30, 2005, and has required supporting documentation at the USOC level of detail [i.e., summary reports of selected billing activity that tabulate reimbursable Lifeline transactions] for the number of subscribers, rates, and other information provided on Form 497.

Cause

According to AT&T officials, data on the electronic subscriber listings provided by Southwestern Bell-Oklahoma can differ from the Forms 497 and supporting summary documentation because a different source (history tables) had be used to restore and recreate old data for the listings. The officials said that data used to prepare Form 497 comes from Southwestern Bell-Oklahoma's billing system, which contains data that is usually no more than 18 months old. After 18 months, most billing system data is put into history tables. The officials said that the different process used to retrieve old data for the electronic subscriber listings can result in some data being lost, and the billing system data (i.e., the Form 497 and supporting documentation) is more accurate than the electronic subscriber listings that were provided.

Effect

We were unable to use the electronic subscriber listings to verify and attest to the accuracy of the Form 497 Link Up and TLS subscriber counts for March 2005, and the Form 497 TLS subscriber counts for May 2005. Since the FCC's rules do not specify the type of record carriers must retain, we accepted the USOC level of detail as support for the Form 497. Therefore, this matter is not a rule violation. The financial effects of the differences in subscriber counts between the electronic listings and the Form 497 are a Link Up underpayment of $22.23 in March 2005, a TLS overpayment of $56.92 in March 2005, and a TLS overpayment of $108.99 in May 2005. The financial effect of the electronic listings having duplicate Lifeline discounts for 16 subscribers is a $113.36 overpayment in March 2005.

Recommendation Although not required by FCC rules, we recommend that Southwestern Bell-Oklahoma develop a process to capture Lifeline subscriber data from its billing system enabling Southwestern Bell-Oklahoma to provide a better audit trail of more reliable and accurate information needed to verify the accuracy of Form 497 subscriber counts and the revenues Southwestern Bell-Oklahoma forgoes in providing Lifeline service.

Beneficiary Response The subscriber listings for TLS and Link-up subscribers were pulled from history tables. The actual Form 497 data is pulled from a current table and as a result there are some differences. The documentation maintained to support the Form 497 (and provided to the auditors) is a summary level report pulled from the current table (rather than the detailed subscriber level report). This summary level report does agree with the amounts claimed on the Form 497. The Company does not find anything in the rules/regulations specifically requiring maintaining detailed subscriber listings. Notwithstanding that, the current monthly process for pulling the data for the Form 497 includes pulling data at a subscriber level of detail. This will enable the subscriber detail that matches the 497 to be available for future audits. Regarding the months involved in this audit, the Company believes the summary level reports are accurate because the current months where the subscriber level detail is available, agrees with the summary level report used to support the amount claimed on the Form 497.

Our examination procedures are designed primarily to enable us to form an opinion on management's assertions about Southwestern Bell-Oklahoma's compliance with the applicable program requirements of 47 C.F.R Section 54 of the Federal Communications Commission's Rules and Regulations, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of Southwestern Bell-Oklahoma's management, and others within the organization, Universal Service Administrative Company and the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties

Washington, DC Thompson, Cobb, Bazilio & Associates, P.C.
April 5, 2007

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 5, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell-Oklahoma (LI-2006-208)

USAC management has reviewed the IPIA Audit of Southwestern Bell-Oklahoma (435215). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-208 Opinion:
Southwestern Bell-Oklahoma did not provide us with certifications of eligibility for 28 of 40 sample subscribers in our March 2005 sample and 29 of 34 sample subscribers in our May 2005 sample. Our sample size was 60 subscribers for each month, but 20 subscribers in our March 2005 sample and 26 subscribers in our May 2005 sample were not Southwestern Bell-Oklahoma customers—they were customers of other carriers (resellers) who had purchased Lifeline discounted wholesale services from Southwestern Bell-Oklahoma. According to AT&T, it is the resellers' responsibility to obtain eligibility documentation for these subscribers, and Southwestern Bell-Oklahoma never obtained such documentation.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. A carrier is eligible to receive Lifeline reimbursement "based on the number of qualifying low-income consumers it serves"[1]. The carrier cannot prove that its subscribers were eligible for Lifeline during the audit period. USAC will recover support for the 57 retail subscribers for which the company cannot provide documentation of eligibility during the two sample months. USAC will not recover support for the subscribers of the company's resellers.

Condition 2 LI-2006-208 Opinion:
Southwestern Bell-Oklahoma requested but did not receive certifications of compliance with FCC Lifeline and Link Up requirements from 5 of 10 resellers to whom it sold Lifeline discounted wholesale services.

Management Response:

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[1] *See* 47 C.F.R § 54.407(a)

The company should ensure that it retains reseller certifications in accordance with the federal rules. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 3 LI-2006-208 Opinion:
According to an AT&T official, when subscribers are enrolling in the Lifeline program, service representatives do not bring up and offer toll limitation service. The service representatives sign subscribers up for toll limitation service only if the subscribers ask. In addition, Southwestern Bell-Oklahoma's advertising provided for this audit did not mention toll limitation service.

Management Response:
Eligible telecommunications carriers are required to advertise all services supported under 47 C.F.R. § 54.101(a)[2]. USAC concurs with the comment, effect and recommendation in the Opinion.

Condition 4 LI-2006-208 Opinion:
Our sample of 60 Lifeline subscribers in each of March 2005 and May 2005 included 18 subscribers (8 in March and 10 in May) whose telephone bills had bundled rates for packages of various services (e.g., call waiting and caller ID). According to AT&T officials, the bundled rates included the Lifeline discounts. However, AT&T could not provide Customer Service Records (CSRs) for the 18 sample subscribers showing they received Lifeline discounts on their bills.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[3] USAC concurs with the comment, effect and recommendation in the Management Letter. Although the carrier did not have Customer Service Records, it was able to provide the auditors with documentation to demonstrate that Lifeline discounts were applied to their bundle subscribers. Accordingly, USAC will not recover support as a result of this finding.

Condition 5 LI-2006-208 Opinion:
According to AT&T officials, in determining the amount of Lifeline support claimed on the Federal Communications Commission (FCC) Form 497 each month, a count of the number of subscribers in Southwestern Bell-Oklahoma's Lifeline Program on a particular day at the end of the month was obtained from the billing system for reporting on the Form 497. The number of subscribers was multiplied by the different Lifeline Tier rates to determine the amount of Lifeline support claimed. No adjustment was made on Line 9 of Form 497 for new subscribers who joined the Lifeline Program upon approval during the month and subscribers who left the Lifeline Program during the month, although these

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[2] *See* 47 C.F.R. § 54.201(d)(2)
[3] *See* 47 C.F.R § 54.407(c)

subscribers were given partial (i.e., pro rata) discounts on their telephone bills for that month.

Management Response:
USAC concurs with the comment, effect and recommendation in the Opinion. Line 9 (pro-rata support) of FCC Form 497 should be used by carriers to adjust their support claim if they lose or gain Lifeline subscribers throughout the month. A carrier is not entitled to be reimbursed for a full month of support for a subscriber that began Lifeline service mid-month.[4] The instructions to Line 9 of FCC Form 497 include the word "if" because pro-rating is not mandatory unless a company has Lifeline customers who started or terminated Lifeline support mid-month. A company might have months in which it neither lost nor gained Lifeline customers. In those instances, the company would not pro-rate Lifeline support. Accordingly, the instructions to FCC Form 497 include the permissive "if" because companies that have maintained the same number of Lifeline subscribers throughout a month will not have to pro-rate their Lifeline support.

The FCC had considered adopting a complicated formula for calculating pro-rata support, but the OMB-approved version of the form that contained this formula was not implemented. The FCC has not, however, adopted a policy that allows companies to assume that added and deleted Lifeline accounts "come out in the wash" each month; line 9 of FCC Form 497 is designed to capture pro-rated amounts. A carrier has a responsibility to maintain accurate records of the revenue it forgoes in providing the Lifeline discounts[5].

This concludes the USAC management response to the audit.

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[4] *See* 47 C.F.R § 54.407(a). Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

[5] *See* 47 C.F.R § 54.407(c).

USAC
Universal Service Administrative Company

USAC Management Response

Date: July 5, 2007

Subject: IPIA (Improper Payment Improvement Act) Audit of the Low Income Program of Southwestern Bell—Oklahoma Telephone Company (LI-2006-208)

USAC management has reviewed the IPIA Audit of Southwestern Bell—Oklahoma Telephone Company (435215). The audit firm TCBA has issued a qualified audit report and a management letter. Our response to the audit is as follows:

Condition 1 LI-2006-208 Management Letter:
Southwestern Bell-Oklahoma provided electronic listings of Low Income Program subscribers for which support was claimed on Federal Communications Commission (FCC) Form 497 for March 2005 and May 2005. While the electronic listings agree with the Lifeline subscriber counts on the Form 497 and supporting summary schedules for both months, other data on the electronic listings do not agree. The electronic listings show 1,682 Link Up subscribers in March 2005, while the Form 497 and supporting summary documents show 1,681 Link Up subscribers; the electronic listings show 487 new toll limitation services (TLS) subscribers in March 2005, while the Form 497 and supporting summary documents show 520 new TLS subscribers; and the electronic listings show 442 new TLS subscribers in May 2005, while the Form 497 and supporting summary documents show 505 new TLS subscribers. The electronic listing for March 2005 also showed 16 instances of duplicate Lifeline discounts to subscribers.

Management Response:
A carrier is required to maintain accurate records of the revenues it forgoes in providing Low Income support.[1] As the auditors note, however, the Commission's rules do not specify the specific type of records a carrier must maintain in order to substantiate its support claims. For this reason, USAC concurs with the comment, effect and recommendation in the Management Letter.

This concludes the USAC management response to the audit.

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[1] *See* 47 C.F.R § 54.407(c)

Appendix G

Lifeline and Link-Up Worksheet, FCC Form 497

Instructions for Completing the Lifeline and Link-Up Worksheet, FCC Form 497

* * * * *

NOTICE: To implement Section 254 of the Communications Act of 1934, as amended, the Federal Communications Commission adopted changes to the federal low-income programs.
The Commission expanded the availability of these programs and the level of funding for discounts to low-income customers.

The following Worksheet provides the means by which eligible telecommunications carriers will be reimbursed by the Universal Service Administrative Company (USAC) for their participation in these programs. Failing to collect the information, or collecting it less frequently, would prevent the Commission from implementing sections 214 and 254 of the Act, would thwart Congress' goals of providing affordable service and access to advanced services throughout the nation, and would result in eligible telecommunications carriers not receiving universal service support reimbursements in a timely fashion.

We have estimated that each response to this collection of information will take, on average, three and a half hours for each respondent. Our estimate includes the time to read this data request, review existing records, gather and maintain required data, and complete and review the response. If you have any comments on this estimate, or on how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, D.C. 20554, Paperwork Reduction Project (3060-0819). We will also accept your comments on the burden estimate via the Internet if you send them to jboley@fcc.gov. Please DO NOT SEND the data requested to this e-mail address.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The FCC is authorized under the Communications Act of 1934, as amended, to collect the information we request in this form. If we believe there may be a violation or a potential violation of a FCC statute, regulation, rule or order, your Worksheet may be referred to the Federal, state or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation or order. In certain cases, the information in your Worksheets may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government is a party of a proceeding before the body or has an interest in the proceeding.

If you do not provide the information we request on the Worksheet, the FCC may delay processing of your Worksheet or may return your Worksheet without action.

The foregoing Notice is required by the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, et seq.

Filing Schedule

Completed Worksheets should be e-mailed to USAC by the 15th of the month after the end of each quarter. Submission by fax or regular mail is also acceptable. If the 15th falls on a federal holiday or weekend, the Worksheet is due the next business day. (See schedule listed below). You should submit three separate Worksheets per quarter, i.e., one Worksheet for each month within the quarter.

Email: lifilings@hcli.universalservice.org

USAC Low-Income Program
444 Hoes Lane
RRC 4A1060
Piscataway, NJ 08854

Fax: 866-873-4665

Data Months	Due Dates of Forms Sent to USAC
January, February, March	April 15th
April, May, June	July 15th
July, August, September	October 15th
October, November, December	January 15th

Introduction

Pursuant to 47 C.F.R. § 54.405, all eligible telecommunications carriers (ETCs)[1] are required to provide Lifeline service. In turn, these ETCs are permitted under section 54.407 (Lifeline) and section 54.413 (Link-Up) to receive support for offering Lifeline service to qualifying low-income customers or reduced service-connection charges through Link-Up. Pursuant to section 54.403(c), carriers providing toll-limitation services (TLS) for qualifying low-income subscribers will be compensated from universal service mechanisms for the incremental cost of providing TLS. FCC Form 497 is to be used to request reimbursement for participating in the low-income program.

Block 1: Identification

Line (1) -- *Legal name of carrier*
Provide the legal name of reporting carrier as it appears on articles of incorporation, articles of formation, or other legal documents.

Line (2) -- *USAC Service Provider Identification Number*
Provide the carrier's 9-digit USAC Service Provider Identification Number. If you are having difficulty finding this number, call USAC at (866)-873-4727.

Line (3) -- *Study Area Code*
Provide the carrier's 6-digit Study Area Code.

Line (4) -- *Filer 499 ID*
Provide the same ID that this carrier provided on FCC Form 499. This code is assigned by the Commission's Data collection Agent after a company files its first FCC Form 499-A. Filer 499 IDs for current filers can be found at http://gullfoss2.fcc.gov/cib/form499/499a.cfm or in the FCC report *Telecommunications Provider Locator*, which is available on the Commission's web site at http://www.fcc.gov/wcb/iatd/stats.html. If you are having difficulty finding this ID, call USAC at (866)-873-4727.

Line (5) -- *Person who completed this Worksheet*
Provide the name of the person who completed this Worksheet so that person may be contacted in the event we have inquiries regarding this carrier's submission.

Line (6) -- *Mailing address of this person*
Provide the mailing address of the person who completed this Worksheet.

Line (7) -- *Telephone number of this person*
Provide the telephone number of the person who completed this Worksheet.

Line (8) -- *Fax number of this person*
Provide the fax number of the person who completed this Worksheet.

[1] *See* 47 C.F.R. § 54.201.

Line (9) -- *E-mail address of this person*
Provide the e-mail address of the person who completed this Worksheet.

Line (10) -- *Year for which information is provided*
Provide the year for which the carrier is reporting data.

Line (11) -- *Month for which information is provided*
Provide the month for which the carrier is reporting data. Submit one Worksheet per month for each study area served, on a quarterly basis.

Block 2: Study Area Code / Exchange

Line (12) -- *State*
If the study area covers more than one state, list the state with the most Lifeline connections, even though this form will contain data for all Lifeline subscribers in the study area.

Provide the state in which the study area is located. Carriers that provide Lifeline service in a study area that covers more than one state should report the state that has the most Lifeline connections served. Note that a carrier must file separate Form 497s for each study area for which it is claiming support.

Line (13) -- *Competitive Eligible Telecommunications Carriers (ETCs) should list the names of the incumbent ETCs' study areas and exchanges (if applicable) in which they are claiming support.*
Only carriers that are competitive ETCs should fill out this line. Competitive carriers are sometimes designated as ETCs only in particular areas of a state served by one or more incumbent carriers. A competitive ETC should list the name of the incumbent ETC or ETCs that also serve in the study area in which it is claiming support. Competitive ETCs that provide Lifeline in more than two incumbent ETCs' study areas should attach additional sheets. Additional sheets should contain line number at the top of each sheet.
(a) -- *Incumbent ETC Name*
Competitive ETCs should provide the name of each incumbent ETC that also serves the competitive ETC's study area. Attach additional sheets if necessary.
(b) -- *Incumbent ETC Study Area Code*
Competitive ETCs should provide the study area code of the incumbent ETC that also serves in the competitive ETC's study area. If the competitive ETC's study area covers more than one study area of the same incumbent LEC, list each study area separately on lines (i)-(ii) and attach additional sheets if necessary.
(c) -- *Incumbent ETC Exchange (if applicable)*
A competitive ETC that has been designated in some, but not all, exchanges of an incumbent ETC should list the names of the exchanges in the incumbent's study area in which it has been designated as an ETC. Use additional sheets if necessary to list all exchanges.

Block 3: Lifeline

Description of Lifeline program:

The federal Lifeline program benefits eligible low-income subscribers by reducing their monthly local phone charge. There are four tiers of support. Tier 1 support, available to all eligible subscribers, is equal to the incumbent ETC's actual federal tariffed subscriber line charge (SLC). This information can be found in the publicly filed tariff of the incumbent ETC. Note that the SLC is the same as the end-user common line charge (EUCL). Carriers should keep in mind that the interstate SLC rates contained in the interstate access tariffs may be revised at any time, so it is important to confirm that the carrier is reporting the most current data. Tier 2 support, an additional $1.75 of federal support, is available if the carrier certifies that it will pass through the full amount of Tier 2 support to its qualifying low-income consumers and the carrier has received any non-federal regulatory approvals necessary to implement the required rate reduction. Tier 3 support is an additional amount of federal support equal to one-half the amount of any state-mandated Lifeline support, or one-half of any Lifeline support provided by the carrier, up to a maximum of $1.75 per month. Customers can receive Tier 3 support provided that the carrier has received any non-federal regulatory approvals and will pass through the full amount of Tier 3 support to its qualifying low-income consumers. Tier 4 support is additional federal Lifeline support of up to $25 per month available to eligible residents of tribal lands, as defined in 47 C.F.R. § 54.400(e), as long as that amount does not bring the basic local residential rate below $1 per month per qualifying low-income subscriber.

Lines (14)-(17) -- *Tier 1, Tier 2, Tier 3, Tier 4*
(a) -- *Number of subscribers receiving federal Lifeline support for whole month*
Provide the number of Lifeline subscribers that received that Tier of support for the whole month. DO NOT include the partial amounts reported on lines (18) - (21).
(b) -- *Lifeline support claimed per subscriber* (Use weighted average if more than one applicable rate.)
The weighted average of observed data is the result of dividing (a) the sum of the products of each observed value and the number of times it occurs; by (b) the total number of observations. So, for lines (14) through (17), each observed value would correspond to each rate that would apply to one or more Lifeline subscribers. The number of times each rate occurs would correspond to the number of subscribers who received that specific amount of Lifeline support for the entire month. The total number of observations would equal the total number of Lifeline subscribers receiving support for the entire month under each rate. For example, if a LEC had a SLC of $6.00 in one part of the study area and $6.50 in the other part, and if in these two areas there were 10 and 15 Lifeline subscribers, respectively, the weighted average would be calculated as [($6.00 x 10) + ($6.50 x 15)] / (10 + 15). The weighted average in this example would be $6.30.
Provide the dollar amount of Lifeline support claimed per subscriber receiving that Tier of support for the whole month, using a weighted average if there is more than one applicable rate. If a weighted average is used for listing Tier 1 support, complete line (23). Amount should be reported in dollars and cents.

(d) -- *Total federal Lifeline support claimed* (d) = (a) x (b)
Provide the total dollar amount of Lifeline support claimed for subscribers that received that Tier of support by multiplying the number of subscribers in column (a) with the dollar amount claimed per subscriber in column (b). Amount should be reported in whole dollars (round up or down to the nearest dollar).

Lines (18)-(21) -- *Tier 1, Tier 2, Tier 3, Tier 4*
A carrier may have added new Lifeline subscribers during the month, or lost Lifeline subscribers at any point during the month. **Only carriers that had subscribers receiving federal Lifeline support for part of the month should fill out this section.**
(a) -- *Number of subscribers receiving federal Lifeline support for part of month*
Provide the number of Lifeline subscribers (if applicable) that received that Tier of support for part of the month.
(b) -- *Lifeline support claimed per subscriber* (Use weighted average if more than one applicable rate.)
Provide the dollar amount of Lifeline support claimed per subscriber receiving that Tier of support for part of the month, using a weighted average if there is more than one applicable rate. If a weighted average is used for listing Tier 1 support, complete line (23). Amount should be reported in dollars and cents. DO NOT include the whole month amounts reported on lines (14)-(17).
(c) -- *Total service days for subscribers receiving Lifeline support for part of month*
Provide the total number of days that all partial or pro-rata subscribers received federal Lifeline support. For example, assume the reporting carrier serves 2 Lifeline subscribers in January. The first subscriber was served for 20 days of the month because the subscriber discontinued service on the 20th day of the month (Jan.1-20). The second subscriber was served for 16 days of the month because the subscriber signed up for service on the 16th day of the month (Jan. 16-31). The total service days for those subscribers receiving federal Lifeline support for part of the month would be 36 days.
(d) -- *Total federal Lifeline support claimed* (d) = (b) x (c) / 30
Provide the total dollar amount of Lifeline support claimed for partial or pro-rata subscribers that received that Tier of support by multiplying the dollar amount claimed per subscriber in column (b) with the total service days in column (c), then divide by 30 (approximate number of days in a given month). Amount should be reported in whole dollars (round up or down to the nearest dollar).

Line (22) -- *Total federal Lifeline support claimed* [sum of lines (14d) through (21d)]
Provide the total amount of Lifeline support the carrier is claiming for the month. This amount should be equal to the sum of lines (14)-(17) and (18)-(21) (if applicable) in column (d). This sum should be reported in whole dollars (round up or down to the nearest dollar).

Line (23) -- *Subscriber Line Charge (SLC) data for ETCs that used a weighted average on lines (14b) and/or (18b).*
Only ETCs that used a weighted average rate on lines (14b) and/or (18b) should fill out this line.

Carriers claiming Tier 1 support in lines (14b) and/or (18b) using more than one subscriber line charge (SLC) for the Tier 1 discount should fill out this line. Reporting carriers may have used a weighted average of multiple SLCs for one of several reasons:

- Incumbent carriers may have deaveraged their SLC by zone pursuant to 47 C.F.R. § 69.152(q). These companies should identify the zone name where there is more than one SLC in a study area.
- Competitive carriers may use multiple SLCs because their study area covers the study areas of more than one incumbent carrier, and these carriers have different SLC rates. Competitive carriers should provide the SLC for each incumbent carrier listed on line (13i). SLCs can be found in publicly filed tariffs.
- Competitive carriers may serve in the study area of only one incumbent carrier, but that carrier may have deaveraged its SLC.

If more than one SLC rate is listed, provide these rates on an additional sheet and indicate the incumbent ETC's name. Additional sheets should contain line number at the top of each sheet.
(a) -- *Zone Name (if applicable)*
If applicable, provide the zone name when the SLC has been deaveraged by zone.
(b) -- *SLC*
Provide the amount, in dollars and cents, of each SLC.
(c) -- *Number of subscribers receiving Tier 1 support for whole month*
Provide the number of subscribers receiving Tier 1 support for the whole month for each SLC. The total of all entries for this column should add up to the number of subscribers reported on line (14a) receiving Tier 1 support.
(d) -- *Total service days for subscribers receiving Tier 1 support for part of month*
Provide the total number of service days subscribers received Tier 1 support for part of the month for each SLC. The total for all entries for this column should add up to the total number of service days for subscribers receiving federal Lifeline support for part of month reported on line (18c) for Tier 1 support.
(e) -- *Total Tier 1 support claimed* (e) = (b) x [(c) + (d)/30]
Provide the total amount of Tier 1 support claimed for each SLC by multiplying the SLC in column (b) by the sum of the number of subscribers receiving Tier 1 support in column (c) plus the quantity derived by dividing by 30 the number of subscribers receiving Tier 1 support for each SLC in column (d).

Line (24) -- *If claiming Tier 4 support, list tribal lands served.*
Only carriers claiming Tier 4 support should fill out this line. Carriers claiming Tier 4 support for subscribers living on more than two federally recognized tribal lands should attach additional sheets. Additional sheets should contain line number at the top of each sheet.
(a) -- *Name of federally recognized tribal land*
Provide the name of the federally recognized tribal land.
(b) -- *Number of Tier 4 subscribers*
Provide the number of Tier 4 subscribers served for the month.

Line (25) -- *Legal name of carrier* [line (1)]
Provide the legal name of reporting carrier from line (1).

Line (26) -- *USAC Service Provider Identification Number* [line (2)]

Block 4: Link-Up

Description of Link-Up program:

The Link-Up program reduces eligible low-income subscribers' charges for initiating telephone service by one-half of the telephone company's charge, or $30.00, whichever is less, for subscribers residing on non-tribal lands. For subscribers residing on tribal lands, the reduction is up to $70 or 100% of the charges between $60 and $130, in addition to the $30 available to non-tribal subscribers. The Link-Up program also offers a deferred payment plan for charges assessed for starting service, for which eligible subscribers do not have to pay interest. Eligible subscribers are relieved of the requirement to pay interest charges of up to $200 for a period not to exceed one year.

Line (32) -- *Number of subscribers for whom connection fees waived*
(a) -- *Non-tribal connections*
Provide the monthly count of Link-Up subscribers not residing on tribal lands for whom connection charges were waived.
(b) -- *Tribal connections*
Provide the monthly count of Link-Up subscribers residing on tribal lands designated as such by the Bureau of Indian Affairs, for whom connection charges were waived.
(c) -- *Total connections waived* (c) = (a) + (b)
Provide the total number of Link-Up connection charges waived by adding the number of non-tribal connections in column (a) to the number of tribal connection charges waived in column (b).

Line (33) -- *Charges waived per connection* (Use weighted average if more than one applicable rate.)
Provide the dollar amount of reduction per subscriber. For multiple rates, use a weighted averaged amount. All amounts should be reported in dollars and cents.
(a) -- *Non-tribal connections*
The reduction should be one-half of the service providers' charge or $30.00, whichever is less.
(b) -- *Tribal connections*
The reduction should not exceed $100.00 per connection.

Line (34) -- *Total connection charges waived* [line (32) x line (33)]
These totals should be reported in whole dollars (round up or down to the nearest dollar).
(a) -- *Non-tribal connections*
Provide the dollar amount of non-tribal connection charges waived by multiplying lines (32a) and (33a).
(b) -- *Tribal connections*
Provide the dollar amount of tribal connection charges waived by multiplying lines (32b) and (33b).
(c) -- *Total connections waived* (c) = (a) + (b)
Provide the total dollar amount of connection charges waived by adding the number of non-tribal connections charges waived in column (a) to the number of tribal connection charges waived in column (b).

Line (35) -- *Deferred interest*

Only ETCs that provided subscribers with a deferred interest payment plan for costs of initiating telephone service remaining after the Link-Up discount should fill out this line. These amounts should be reported in whole dollars (round up or down to the nearest dollar).

(a) -- *Non-tribal connections*

Provide the dollar amount of deferred interest to Non-tribal connections.

(b) -- *Tribal connections*

Provide the dollar amount of deferred interest to tribal connections.

(c) -- *Total connections waived* (c) = (a) + (b)

Provide the total deferred interest to non-Tribal and Tribal connections by adding the dollar amount of deferred interest to non-tribal connections in column (a) to the dollar amount of deferred interest to tribal connections in column (b).

Line (36) -- *Total Link-Up support claimed* [line (34) + line (35)]

Provide the dollar amount of total Link-Up support claimed for the reported month. These amounts should be reported in whole dollars (round up or down to the nearest dollar).

(a) -- *Non-tribal connections*

Provide the dollar amount of total Link-Up support claimed for non-tribal connections only by adding lines (34a) and (35a).

(b) -- *Tribal connections*

Provide the dollar amount of total Link-Up support claimed for tribal connections only by adding lines (34b) and (35b).

(c) -- *Total connections waived* (c) = (a) + (b)

Provide the dollar amount of total Link-Up support for both non-tribal and tribal connections by adding columns (a) and (b).

Block 5: Toll Limitation Services (TLS)

Description of Toll Limitation Services (TLS):

TLS is a service that carriers must offer to eligible low-income subscribers at no charge in order to be eligible to receive universal service support. Qualifying low-income consumers' acceptance of TLS is voluntary. This service includes toll blocking, which allows subscribers to block outgoing toll calls, and also toll control, which allows subscribers to limit in advance their toll usage per month or billing cycle. Carriers are required to provide at least one type of toll-limitation service. If your company is not currently offering TLS because your state commission has provided your company with additional time to complete the network upgrades needed to provide TLS, complete this Worksheet, but leave Block 5 blank.

Support will be provided for the incremental cost of providing TLS. These costs include the costs that carriers otherwise would not incur if they did not provide TLS to a given customer. The incremental cost of TLS does not include the full retail charge for TLS that the carrier would charge other consumers. Moreover, joint and common costs associated with TLS (*e.g.* overhead and the cost of facilities used for both TLS and non-TLS purposes) are not supported by the low-income support mechanism. Low-income support is available only for incremental costs that are associated exclusively with toll-limitation service. For instance, the low-income support mechanism will reimburse carriers for a switch upgrade only if it is necessary exclusively for the provision of TLS. A switch upgrade that will be used for the performance of functions other than providing TLS is not reimbursable by the low-income support mechanism and should not be included in initial or recurring incremental costs. Carriers may be asked for supporting documentation justifying the incremental costs of providing TLS claimed on this Worksheet.

Line (37) -- *Lifeline subscribers adding TLS during month*
(a) -- *Number*
Provide the number of Lifeline subscribers that added TLS at some point during the month for which data is reported on this Worksheet. The amount must be equal to or less than number of all Lifeline subscribers provided TLS during the reported month, *i.e.,* amount in line (38a).
(b) -- *Incremental cost*
Provide the dollar amount for the incremental cost associated with adding TLS for Lifeline subscribers during the reported month. Only the initial non-recurring incremental cost your company incurred to set up each new Lifeline subscriber with TLS should be reported. These costs would include, for example, the installation or changing of central office connections required to begin providing a Lifeline subscriber with TLS. Report incremental cost by using up to six decimal points (*e.g.*, $0.008982), if necessary.
(c) -- *Total cost* (c) = (a) x (b)
Provide the total initial non-recurring incremental costs for new Lifeline subscribers adding TLS during the reported month by multiplying column (a) times column (b). This amount should be reported in dollars and cents (that is, round the total to two decimal points).

Line (38) -- *All Lifeline subscribers taking TLS during month*
(a) -- *Number*
Provide the number of all Lifeline subscribers taking TLS during the reported month. This number includes both new Lifeline subscribers with TLS added during month and Lifeline subscribers that continued to receive TLS during reported month.
(b) -- *Incremental cost*
Provide the dollar amount for the incremental cost of providing TLS to all Lifeline subscribers during the reported month. This amount represents the recurring incremental cost, if any, your company incurred to provide TLS to each Lifeline subscriber. These costs would include, for example, a portion of switch upgrade costs necessary exclusively for TLS. Report incremental cost by using up to six decimal points (*e.g.*, $0.008982), if necessary.
(c) -- *Total cost* (c) = (a) x (b)
Provide the total recurring incremental costs for all Lifeline subscribers taking TLS during the reported month by multiplying column (a) times column (b). This amount should be reported in dollars and cents (that is, round the total to two decimal points).

Line (39) -- *Total TLS support claimed* [line (37c) + line (38c)]
Provide the dollar amount of total TLS dollars claimed by adding lines (37c) and (38c). This amount should be reported in whole dollars (round up or down to the nearest dollar).

Block 6: Total Support Claimed

These amounts should be reported in whole dollars (round up or down to the nearest dollar).

Line (40) -- *Total federal Lifeline support claimed* [line (22)]
Provide the total federal Lifeline support claimed from line (22).

Line (41) -- *Total Link-Up support claimed* [line (36)]
Provide the total Link-Up support claimed from line (36).

Line (42) -- *Total TLS support claimed* [line (39)]
Provide the total TLS support claimed from line (39).

Line (43) -- *Total ETC support claimed* [sum of lines (40) through (42)]
This is the total Low-Income Support amount claimed for the reported month. Provide the total ETC support claimed by adding together lines (40) through (42).

Block 7: Certification and Signature

Line (44) -- *Regulatory status*
Check the appropriate box to indicate whether the carrier is or is not subject to state regulation.

Line (45) -- *Signature of officer*
An officer is a person who occupies a position specified in the corporate by-laws (or partnership agreement), and would typically be president, vice president for operations, vice president for finance, comptroller, treasurer, or a comparable position. If the reporting carrier is a sole proprietorship, the owner must sign the certification. The signature on this line must be in ink unless filed on-line, as available. This line requires the signature of an officer of the company certifying that the following statements are correct (as applicable):

I certify:

> that my company will publicize the availability of Lifeline and Link-Up services in a manner reasonably designed to reach those likely to qualify for those services.
> *See* 47 C.F.R. § 54.405(b).
>
> that my company will pass through the full amount of all Tier One, Tier Two, Tier Three, and Tier Four federal Lifeline support for which they seek reimbursement, as well as all applicable intrastate Lifeline support, to all qualifying low-income subscribers by an equivalent reduction in the subscriber's monthly bill for local telephone service.
> *See* 47 C.F.R. §§ 54.403(a)(2)-(4).
>
> that my company has received any non-federal regulatory approvals necessary to implement the required rate reduction(s).
> *See Federal-State Joint Board on Universal Service: Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas*, CC Docket No. 96-45, Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking, FCC 00-208, paras. 43, 85 (rel. June 30, 2000).

that I am an officer of the above-named reporting entity, that I have examined the foregoing report and to the best of my knowledge, information and belief, all statements of fact contained in this Worksheet are true, and that said Worksheet is an accurate and complete statement of the affairs of the above-named company for the period indicated above;

and I acknowledge the Fund Administrator's authority to request additional supporting information as may be necessary.

Line (46) -- *Printed name of officer*
Print the name of the officer. This should be the same name as the signature in line (43).

Line (47) -- *Position with reporting entity*
Provide the position you hold with the carrier.

Line (48) -- *Date*
Provide the date this Worksheet was completed and signed.

Line (49) -- *Type of filing*
Check the appropriate box to indicate whether this Worksheet is an original or revised filing. Check "Original filing" box if your company is reporting this data for the first time. Check "Revised filing" box if this is a revision to the data originally submitted. March 31 is the administrative deadline for filing revisions for two years prior. For example, revisions for any month in 2002 will be accepted until March 31, 2004. Using this example, after March 31, 2004, revisions may be submitted only for months in 2003 and 2004. Report originals and revisions on separate forms. For revisions, all line items should be reported as positive numbers reflecting the actual amounts that should have been claimed for the month.

FCC Form 497 | **LIFELINE AND LINK-UP WORKSHEET** | **Approved by OMB 3060-0819**

December 2003

If you have any questions, please call USAC at (866) 873-4727.

Avg. Burden Est. per Respondent: 3.5 Hrs.

(1)	Legal name of carrier	
(2)	USAC Service Provider Identification Number	
(3)	Study Area Code	
(4)	Filer 499 ID	
(5)	Person who completed this Worksheet	
(6)	Mailing address of this person	
(7)	Telephone number of this person	
(8)	Fax number of this person	
(9)	E-mail address of this person	
(10)	Year for which information is provided	
(11)	Month for which information is provided	

(12) State				
(13) Competitive Eligible Telecommunications Carriers (ETCs) should list the names of the incumbent ETCs' study areas and exchanges (if applicable) in which they are claiming support.		Incumbent ETC Name (a)	Incumbent ETC Study Area Code (b)	Incumbent ETC Exchange (if applicable) (c)
(i) First incumbent ETC				
(ii) Second incumbent ETC				

Attach additional sheet to report additional incumbent ETCs' study areas and exchanges. Check box if additional sheet attached. ☐

	Number of subscribers receiving federal Lifeline support for whole month (a)	Lifeline support claimed per subscriber (Use weighted average if more than one applicable rate.) (b)		Total federal Lifeline support claimed (d) = (a) x (b)
(14) Tier 1		$		$
(15) Tier 2		$		$
(16) Tier 3		$		$
(17) Tier 4		$		$
	Number of subscribers receiving federal Lifeline support for part of month (a)	**Lifeline support claimed per subscriber (Use weighted average if more than one applicable rate.) (b)**	**Total service days for subscribers receiving federal Lifeline support for part of month (c)**	**Total federal Lifeline support claimed (d) = (b) x (c) / 30**
(18) Tier 1		$		$
(19) Tier 2		$		$
(20) Tier 3		$		$
(21) Tier 4		$		$
(22) Total federal Lifeline support claimed [sum of lines (14d) through (21d)]				$

(23) Subscriber Line Charge (SLC) data for ETCs that used a weighted average on lines (14b) and/or (18b).	Zone name (if applicable) (a)	SLC (b)	Number of subscribers receiving Tier 1 support for whole month (c)	Total service days for subscribers receiving Tier 1 support for part of month (d)	Total Tier 1 support claimed (e) = (b) x { (c) + [(d) / 30] }
(i) First rate		$			$
(ii) Second rate		$			$

Attach additional sheet to report additional SLCs. Competitive ETCs use the above for the incumbent ETC shown on line (13i) and additional sheet for additional incumbent ETCs. Check box if additional sheet attached. ☐

(24) If claiming Tier 4 support, list tribal lands served.	Name of federally recognized tribal land (a)	Number of Tier 4 subscribers (b)
(i) First tribal land		
(ii) Second tribal land		

Attach additional sheet to report additional tribal lands served. Check box if additional sheet attached. ☐

PERSONS WILLFULLY MAKING FALSE STATEMENTS IN THE WORKSHEET CAN BE PUNISHED BY FINE OR IMPRISONMENT UNDER TITLE 18 OF THE UNITED STATES CODE, 18 U.S.C. §1001

LIFELINE AND LINK-UP WORKSHEET

(25) Legal name of carrier [line (1)]	
(26) USAC Service Provider Identification Number [line (2)]	
(27) Study Area Code [line (3)]	
(28) Year for which information is provided [line (10)]	
(29) Month for which information is provided [line (11)]	

	Number of Lifeline connections provided directly to end-users (a)	Number of Lifeline connections sold to reselling carriers (b)	Total Lifeline Connections (c) = (a) + (b)
(30) Total Lifeline and Resold Lifeline Connections (Only ETCs that sold Lifeline connections to Reselling Telecommunications Carriers should fill out lines (30) and (31).)			

	Name of reselling carrier (a)	Number of Lifeline connections sold to this reselling carrier (b)
(31) Information about Reselling Telecommunications Carriers (Note: Total of amounts reported on line (31b) should equal the amount reported on line (30b).)		
(i) First reselling carrier		
(ii) Second reselling carrier		

Attach additional sheet to report additional reselling carriers. Check box if additional sheet attached. ☐

Block 4: Link-Up

	Non-tribal connections (a)	Tribal connections (b)	Total connections waived (c) = (a) + (b)
(32) Number of subscribers for whom connection fees waived			
(33) Charges waived per connection (Use weighted average if more than one applicable rate.)	$ ($30 max)	$ ($100 max)	
(34) Total connection charges waived [line (32) x line (33)]	$	$	$
(35) Deferred interest	$	$	$
(36) Total Link-Up support claimed [line (34) + line (35)]	$	$	$

[illegible] (TLS)

	Number (a)	Incremental cost (b)	Total cost (c) = (a) x (b)
(37) Lifeline subscribers adding TLS during month			$
(38) All Lifeline subscribers taking TLS during month			$
(39) Total TLS support claimed [line (37c) + line (38c)]			$

[illegible]

(40) Total federal Lifeline support claimed [line (22)]	$
(41) Total Link-Up support claimed [line (36c)]	$
(42) Total TLS support claimed [line (39c)]	$
(43) Total ETC support claimed [sum of lines (40) through (42)]	$

Block 7: Certification and Signature

(44) Regulatory status (check one) ☐ subject to state regulation ☐ not subject to state regulation

I certify:

that my company will publicize the availability of Lifeline and Link-Up services in a manner reasonably designed to reach those likely to qualify for those services;

that my company will pass through the full amount of all Tier One, Tier Two, Tier Three, and Tier Four federal Lifeline support for which my company seeks reimbursement, as well as all applicable intrastate Lifeline support, to all qualifying low-income subscribers by an equivalent reduction in the subscriber's monthly bill for local telephone service;

that my company has received any non-federal regulatory approvals necessary to implement the required rate reduction(s);

that I am an officer of the above-named reporting entity, that I have examined the foregoing report and to the best of my knowledge, information and belief, all statements of fact contained in this Worksheet are true, and that said Worksheet is an accurate and complete statement of the affairs of the above-named company for the period indicated above;

and I acknowledge the Fund Administrator's authority to request additional supporting information as may be necessary.

(45) Signature of officer	
(46) Printed name of officer	
(47) Position with reporting entity	
(48) Date	

(49) This filing is an ☐ Original filing ☐ Revised filing

PERSONS WILLFULLY MAKING FALSE STATEMENTS IN THE WORKSHEET CAN BE PUNISHED BY FINE OR IMPRISONMENT UNDER TITLE 18 OF THE UNITED STATES CODE, 18 U.S.C. §1001

Email completed forms to lifilings@hcli.universalservice.org; or fax to (866) 873-4665; or mail to USAC Low Income Program, 444 Hoes Lane, RRC 4A1060, Piscataway, NJ 08854.