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Federal Communications Commission  
Office of the Secretary

WC 03-109

Via Email

February 23, 2010

Sharon Gillett  
Chief, Wireline Competition Bureau  
Federal Communications Commission  
445 - 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Low Income Issue Requiring FCC Policy Guidance

Dear Ms. Gillett:

The Universal Service Administrative Company (USAC) requests guidance from the Federal Communications Commission on how Line 9 of FCC Form 497 should be used by an eligible telecommunications carrier (ETC)<sup>1</sup> receiving Low Income Support Mechanism Lifeline support.<sup>2</sup> The issues described below have arisen as a result of certain carrier practices that have come to our attention.

Line 9 on FCC Form 497 is used by carriers to report pro-rated Lifeline support amounts paid. The instructions to FCC Form 497 for completing Line 9 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 either 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.

In FCC Office of Inspector General (OIG) USF audit program audits of Low Income support Mechanism beneficiaries as well as in USAC conducted Low Income Support Mechanism beneficiary audits, there have been findings that carriers did not claim pro-rated support on Line 9 of Form 497 even though the auditors found by reviewing carrier monthly subscriber lists that some customers' Lifeline service began partway through the month and others' ended mid-month. This issue is also the subject of an appeal filed with

<sup>1</sup> 47 C.F.R. § 54.5.  
<sup>2</sup> 47 C.F.R. § 54.401 - .407.

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List A B C D E

Ms. Sharon Gillett  
Federal Communications Commission  
February 23, 2010  
Page 2

the Commission by AT&T.<sup>3</sup> Until the appeal is resolved, USAC management is not taking action against carriers with audit findings indicating they have not pro-rated Lifeline support claims.

USAC requests the Commission clarify whether Line 9 can be used for any purpose other than to report the amount of support attributed to Lifeline customers who received the discount for only part of a month. For example, a number of companies are using Line 9 to claim amounts that exceed the maximum support amounts.<sup>4</sup> In addition, some companies have used Line 9 to make an adjustment to their support claims for prior months rather than filing a revised, separate Form 497 for each affected month. Neither of these practices is readily apparent during routine Form 497 processing because carriers enter a dollar amount rather than the number of subscribers. These practices are revealed only when a company provides documentation underlying its support claims, such as during an audit or data validation.

If the Commission confirms that ETCs are required to pro-rate Lifeline support, USAC also seeks Commission guidance as to what recovery action, if any, USAC should take when failure to pro-rate partial month Lifeline customers was an audit finding.

If you have any questions, please feel free to contact me or Karen Majcher ([kmajcher@usac.org](mailto:kmajcher@usac.org)).

USAC looks forward to receiving the Commission's clarification on the issue explained above.

Sincerely,



Richard A. Belden  
Chief Operating Officer  
USAC

cc: Irene Flannery  
Jennifer McKee

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<sup>3</sup> Request for Review by AT&T Inc. of Decision of the Universal Service Administrator, WC Docket No. 03-109 (filed Apr. 14, 2009).

<sup>4</sup> During an in-depth data validation of a company's Lifeline claim, USAC discovered that a company was "backing into" the total amount of support claimed by subtracting the amounts claimed on the Lifeline and Link Up sections of Form 497 from a larger number generated by the company's billing system and entering the difference on Line 9. The result was a support claim that exceeded the maximum allowed claim based on the number of subscribers served by the company.