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May 3, 2013

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-B204
Washington, DC 20554

Re: *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42

Madam Secretary:

In accordance with Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, we hereby provide you with notice of an oral ex parte presentation in connection with the above-captioned proceeding. On May 1, 2013, undersigned counsel, on behalf of Smith Bagley, Inc. d/b/a CellularOne ("SBI"), met with Garnet Hanly, Radhika Karmarkar, and Michelle Schaefer of the Wireline Competition Bureau ("Bureau"), and were joined telephonically by Gina Spade of the Office of the Managing Director and Wayne Scott and Teleshia Delmar of the Universal Service Administrative Company, to discuss the biennial independent Lifeline audit requirement.

In our meeting, we discussed SBI's status as a small business, with just 190 employees. We discussed SBI's track record of bringing critical wireless telecommunications services to unserved and underserved areas on and near Native American reservations with the use of Lifeline and Link Up support. We also discussed SBI's strong track record of compliance with the FCC's Low Income program rules.

Regarding the FCC's biennial independent audit requirement, we discussed whether interested parties would have an opportunity to publicly comment on the draft audit plan in order to help assure its scope meets the Commission's objectives. We discussed these objectives, including the FCC's stated intent that the biennial audits would focus on the company's overall compliance program and internal controls rather than a compliance review at the Study Area Code ("SAC") level. We discussed the FCC's work burden estimates submitted to the Office of Management and Budget and how those estimates are consistent with a high-level risk assessment and process review, rather than a detailed audit.

In terms of small business impact, we noted that SBI has been subjected to audits and other Lifeline-related inquiries eight times in the past 24 months, resulting in a total recovery

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amount of \$724.00. The recent recertification efforts cost the company close to \$1 million, and audits take up a substantial part of the two people in the book keeping department trained to respond to audits. As a result of SBI's record of compliance, we asked the Commission to consider reducing the frequency of audits on companies with such a record, and to increase the frequency of audits when a company falls short.

Finally, we discussed how Lifeline oversight would be most effective if the biennial independent audits do not unnecessarily duplicate USAC's existing oversight, including Beneficiary and Contributor Audit Program ("BCAP") audits, Payment Quality Assurance ("PQA") reviews, and In-depth Data Validations ("IDV"). We observed that a high-level risk assessment approach would provide an effective tool to guide the scope and frequency of USAC's efforts and thus ensure the most efficient use of limited administrative resources.

If you have any questions or require any additional information, please contact undersigned counsel directly.

Sincerely,



David A. LaFuria
Jeffrey A. Mitchell
Steven M. Chernoff
Counsel for Smith Bagley, Inc.

cc: Garnet Hanly
Radhika Karmarkar
Michelle Schaefer
Gina Spade
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Teleshia Delmar