

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of )  
 )  
Lifeline and Link Up Reform and ) WC Docket No. 11-42  
Modernization )

**COMMENTS OF CENTURYLINK**

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**I. INTRODUCTION AND SUMMARY**

CenturyLink submits these comments in response to the *Public Notice* in the above-captioned proceeding.<sup>1</sup> CenturyLink supports the Commission’s goals of reducing potential waste, fraud, and abuse in the Lifeline program. Nevertheless, it remains concerned about the overbroad scope, the extensive administrative burdens, and the significant expense of the proposed biennial audit requirement, especially in the absence of findings of material non-compliance. The biennial audit requirement is yet another in the long list of new administrative burdens and expenses of the reformed Lifeline program, and is itself potentially more extensive than the proposed audit plan acknowledges.

Accordingly, CenturyLink urges the Commission to reduce the unnecessary burdens of the proposed audit requirements by at least (1) eliminating or reducing the biennial audit requirements where there are limited or no findings of material non-compliance with Lifeline program requirements and (2) eliminating duplicative audits. Further, with respect to the specific proposed requirements for the biennial audit plan CenturyLink comments that the Wireline Competition Bureau (Bureau) should (1) explain the rationale for the six-month audit period from November 1 to April 30; (2) clarify that any draft audit report that is submitted to the

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<sup>1</sup> Public Notice, Wireline Competition Bureau Seeks Comment on the Lifeline Biennial Audit Plan, DA 13-2016, WC Docket No. 11-42 (rel. Sept. 30, 2013) (Public Notice); Erratum (Nov. 20, 2013); 78 Fed. Reg. 68061 (Nov. 13, 2013).

Commission or USAC will be submitted confidentially; (3) permit use of recorded customer calls for audit purposes; (4) alter the National Subscriber List requirement; (5) clarify the list of recertified subscribers that an auditee is to provide for the audit; and (6) clarify that more than a single individual can complete the Internal Control Questionnaire for the entire company.

## **II. THE COMMISSION SHOULD REDUCE THE UNNECESSARY BURDENS OF THE PROPOSED BIENNIAL AUDIT REQUIREMENTS**

The Commission continues to proceed with its plan to require Lifeline providers who receive more than \$5 million annually in Lifeline support to conduct extensive audits of their participation in the Lifeline program every two years and to require carriers to pay for those extensive audits themselves. As of October 2012 the Commission anticipated that 24 Lifeline providers would be subject to this requirement.<sup>2</sup> CenturyLink is one of those providers.

CenturyLink and its predecessor companies have been subjected to many audits and reviews of their participation in the Lifeline program, most of which have been conducted by the Universal Service Administrative Company. CenturyLink companies' policies and processes, their reimbursements and their eligibility determinations, their applications and marketing materials have been repeatedly scrutinized without significant findings of non-compliance. For example, CenturyLink calculates that it has been subject to approximately 100 Payment Quality Assurance (PQA) audits since mid-2010. Collectively, those audits reviewed approximately \$10.8 million in Lifeline support received by CenturyLink and resulted in a total recovery amount of less than \$1,000. Nevertheless, the Commission has determined that CenturyLink and similarly situated companies should now be subject to additional, extensive, company-wide, detailed examinations of their entire Lifeline customer base every two years at each company's

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<sup>2</sup> See OMB Supporting Statement, Control No. 3060-0819, as revised Oct. 24, 2012 and submitted to OMB on Nov. 5, 2012 at 12. (Revised Audit Requirements) on p. 14.

expense. For CenturyLink this is not only an unwarranted administrative burden, but it is also a waste of resources.

**A. The Biennial Audit Requirement Is Yet Another New Administrative Expense Of The Lifeline Program**

Further, the new biennial audit requirement is not a singular new administrative burden of the Commission's Lifeline program reforms, but is in fact one of several new administrative burdens and expenses of participating in the Lifeline program. Carriers participating in the program are now obligated to conduct annual recertification of their entire Lifeline customer base and provide reports on the results of those recertification processes each January on new FCC Form 555. Participating carriers must also develop new processes and modify systems to enable the complete upload of the relevant information for their entire Lifeline customer base to the new National Lifeline Accountability Database (NLAD) and enable subsequent daily interaction with the NLAD. Lifeline providers are also subject to new annual reporting requirements for the program using new FCC Form 481.

Using the Commission's estimates reflected in its supporting statement to the Office of Management and Budget (OMB), through these new requirements alone, the Commission has foisted an additional approximately \$3.7 million in annual Lifeline program participation costs on CenturyLink.<sup>3</sup> The new biennial audit requirement is also in addition to the Lifeline

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<sup>3</sup> OMB Supporting Statement at 11-14. Using the Commission's OMB estimates in the following categories and applying those estimates to CenturyLink's 114 ETCs and approximately 200,000 Lifeline customers results in the following annual calculations:  
Annual Recertification: \$40 x .75 hours (per paper recertification) x 105,000 Lifeline customers = \$3,150,000  
FCC Form 555 Reporting: \$40 x 15 hours x 114 ETCs = \$68,400  
NLAD (maintenance only – does not calculate the burden associated with getting ETC customer data into the NLAD in the first place): 8 hours x 12 months x 114 ETCs x \$40 = \$437,760  
FCC Form 481 Lifeline Reporting: 3 hours x 114 ETCs x \$40 = \$13,680.  
Biennial Audit Requirement: 250 hours x .5 (1 yr as ½ of 2-yr. cycle) x \$200 = \$25,000  
Total: \$3,694,840 per year. Even if 25% of the recertification costs are deducted as costs of

program's existing review programs for Lifeline participants including Beneficiary and Contributor Audit Program audits, Payment Quality Assurance (PQA) reviews, and In-Depth Validation (IDV) reviews. The Commission should take care to assure that the administrative costs and burdens of the Lifeline program do not ultimately undermine desired carrier participation in the program.

**B. The Biennial Audit Requirements Are More Extensive Than The Proposed Audit Plan Acknowledges**

It also should be recognized that the proposed audit requirements, which are already quite broad as set out in the proposed audit plan, are in fact even more extensive than the proposed audit plan acknowledges. Throughout the proposed Biennial Audit Plan, the plan refers to "the ETC" as if a carrier subject to this biennial audit requirement is a single ETC. To be clear, this is not necessarily the case. CenturyLink is subject to this audit requirement because at a holding company level it receives collectively more than \$5 million annually in Lifeline reimbursement.

But CenturyLink is not a single ETC. CenturyLink is comprised of many operating companies and other affiliates, of which more than 100 are separately designated ETCs which collectively offer Lifeline service in 37 states. In turn, the audit requirements for CenturyLink are much broader in scope than the plan language suggests. Thus, for instance, the requirement that the auditor "examine the ETC's Form 555 that was filed during the audit period" for CenturyLink will require the auditor to review roughly 35 Form 555s. Similarly, the requirement that the auditor obtain and review the carrier's Form 497(s) for each study area for the selected month will require CenturyLink's auditor to review over 100 Form 497s.<sup>4</sup>

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prior recertification requirements, the resulting additional burden is still approximately \$3 million.

<sup>4</sup> As discussed in sections III.E & F, *infra*, the Bureau should not require review of every study area or state for Lifeline providers with multiple study areas and operating in multiple states.

Thus, it seems that the proposed audit plan fails to recognize the scope of the burdens it will impose on auditors and auditees. This suggests to CenturyLink that the Bureau, however well-intentioned, has not reasonably balanced the administrative burden and expense of these audits on the subject carriers with the protection of the Lifeline program from waste, fraud and abuse.

**C. The Commission Should Eliminate Or Reduce The Biennial Audit Requirements Where There Are Limited Or No Findings Of Material Non-Compliance With Lifeline Program Requirements**

CenturyLink views that it should not be subject to this biennial audit requirement at all in the absence of findings of material non-compliance with Lifeline program requirements. Nevertheless, to the extent that the Commission moves forward with implementing this burdensome requirement, the Commission and the Bureau should at least honor the Commission's statement that "[i]f there are no material findings in a carrier's first independent audit report, the Wireline Competition Bureau may, in its discretion, relieve the carrier of its obligation to perform an independent audit in the next biennial audit cycle."<sup>5</sup> If there is no material non-compliance found in the first audit, the Bureau should exempt the carrier from subsequent biennial audit cycles.

Further, to the extent that material non-compliance is found in a limited area, the carrier should be subject only to the detailed biennial audit review for that specific area in the next audit cycle. It should be excused from the subsequent biennial audit cycle for any area where material

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Instead, the Bureau should permit a more reasonable sampling of study areas or states that more efficiently accomplishes the Commission's objective to verify that companies have appropriate processes in place to protect against waste, fraud and abuse of Lifeline support.

<sup>5</sup> *Lifeline and Link Up Reform and Modernization*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, 6783-84 ¶ 295 (2012).

non-compliance is not found. At a minimum, the Bureau should take care to not unnecessarily subject biennial auditees to repeated review of areas where there have been no material findings.

For the first time in the history of the Lifeline program, the Commission is requiring Lifeline providers to pay the entire cost of an audit of their compliance with Lifeline program requirements.<sup>6</sup> In its Supporting Statement to the OMB the Commission estimated that the burden per eligible telecommunications carrier (ETC) for the biennial audit report would be 250 hours, and that the annualized cost per ETC would be 250 hours times 0.5 audits per year times \$200 per hour (the average cost for an independent outside auditor) for a total of \$25,000 per year (or \$50,000 per audit).<sup>7</sup> It appears likely that the Commission's estimated cost for paying an auditor to perform the audit has understated that real-world cost. CenturyLink suspects that 250 hours for the auditor to complete the audit for a company such as CenturyLink at a holding company level is much too low. From our experience with other audits, we suspect that the effort will take many more hours than the suggested time, thus resulting in a much higher cost than this estimate.

Even if the Commission's estimate of the cost for an auditee to pay for the auditor's review and report is generally on the mark, the estimate does not encompass the significant burden and costs for auditees to gather and provide the required information for the audit. The list of materials that each auditee has to provide for the auditor's review are extensive, and the burden and expense of the audit is increased by the requirement that these materials be provided at the holding company level.

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<sup>6</sup> USAC's costs in conducting audits of ETCs are covered by the Universal Service Fund. The costs of the Commission's new biennial audit requirement for certain ETCs, however, are inappropriately imposed on the carriers themselves.

<sup>7</sup> OMB Supporting Statement at 14. For this calculation, it appears that the Commission viewed each entity that would be subject to biennial audit requirement as a single ETC.

For example, as part of the biennial audit, the Commission is requiring that biennial auditees generate a national subscriber list for a random month.<sup>8</sup> This will potentially require CenturyLink to create for its auditor a list of over 200,000 customers broken out to provide the twelve columns of information requested for each subscriber. CenturyLink estimates that creating this list alone will require approximately 1900 hours. If you apply the Commission's OMB supporting statement standard amount of \$40/ hour, creating this list alone may cost CenturyLink \$76,000.

Further, it appears that the Commission will require ETCs to provide a subscriber list of all the subscribers in its prior year recertification process.<sup>9</sup> This will require CenturyLink to provide our auditor with a different (but likely highly overlapping) list of over 200,000 subscribers broken out to provide the requisite columns of information including the recertification efforts and results for each subscriber. Still further, CenturyLink will have to spend many more hours gathering and providing the additional information and documentation required in the audit.

In the absence of findings of material non-compliance, the Commission should not be subjecting Lifeline providers to such an extensive, burdensome, and costly audit in the first instance. And, it especially should not *perpetually* subject Lifeline providers to this type of extensive review if material non-compliance is not found. If the Commission believes that the costs of these audits are not properly imposed on the Lifeline program itself, then the Commission should reconsider imposing these costs in the first place. At a minimum, the

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<sup>8</sup> See Public Notice, Attachment 2, Biennial Audit Plan at 8, item 17 & Appendix A, Requested Documentation, Request 1.

<sup>9</sup> See discussion in Section III.E, *infra*.

Commission should limit these costs by waiving the requirement for subsequent audit cycles after a successful report.

**D. The Commission Should Eliminate Duplicative Audits**

The Commission should also take steps to ensure that Lifeline providers that are subject to this biennial audit requirement are not subject to other audits or reviews regarding the Lifeline program for the two years following completion of a biennial audit.<sup>10</sup> Given the extensive and detailed reach of the biennial audit as proposed, any other review – and the further costs it would impose – is probably duplicative and unnecessary. CenturyLink already has been concerned by past USAC audits that imposed costs on the company but typically found no meaningful compliance problems. If select Lifeline providers are to be subjected to the substantial direct and indirect costs of a biennial audit, then other audits and reviews of these providers should be limited in quantity, limited in scope, and more selective in target so as to avoid wasting USAC’s and the providers’ limited resources.

**III. SPECIFIC CONCERNS ABOUT THE PROPOSED BIENNIAL AUDIT PLAN**

In addition to the general concerns regarding the proposed biennial audit requirements set out above and in its prior advocacy before the Commission, CenturyLink has the following specific concerns regarding aspects of the proposed biennial audit plan.

**A. The Bureau Should Explain The Proposed Audit Period**

It is not clear to CenturyLink why the audit period is six months and why it is specifically November 1 to April 30. The Bureau should explain its reasoning behind the selected audit

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<sup>10</sup> This includes Beneficiary and Contributor Audit Program (BCAP) audits, Payment Quality Assurance (PQA) reviews, and In-Depth Validation (IDV) reviews. There could be an exception for an ETC-specific reason for a targeted USAC review.

period, especially since this audit period is confusing with respect to the documentation to be provided regarding recertified customers.<sup>11</sup>

**B. The Bureau Should Clarify That The Draft Audit Report Will Be Submitted To The Commission And USAC Confidentially**

Despite the fact that this issue has been raised before, the Bureau has not clarified whether the draft audit report – which the auditor must submit to the Commission and USAC – can be filed confidentially.<sup>12</sup> The Bureau should clarify that the draft audit report and any comments provided to the draft report, whether by the FCC, USAC, or the carrier, will be confidential and not subject to public disclosure. Requiring a draft audit report and related documents to be filed publicly is fundamentally inconsistent with the long-standing recognition that it is presumptively not in the public interest to make audit materials publicly available.<sup>13</sup>

**C. The Bureau Should Permit The Use Of Recorded Calls For Audit Purposes**

With respect to Objective 1 (Carrier Obligation to Offer Lifeline), Procedure 3 of that objective instructs the auditor to “[m]onitor 10 random incoming calls to telephone number(s) used as customer care for the Lifeline program.” CenturyLink recommends that the auditors be allowed to use recorded calls pulled randomly based on a search of the term “Lifeline” because not every ETC has customer care numbers dedicated to Lifeline service. Otherwise, at CenturyLink, the auditor could spend a long time waiting to capture ten incoming customer calls that address Lifeline service. At CenturyLink all of our approximately 2300 consumer customer care representatives are trained to be able to address questions about Lifeline service.

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<sup>11</sup> See discussion in Section III.E, *infra*.

<sup>12</sup> See *Petition for Reconsideration and Clarification of the United States Telecom Association*, WC Docket No. 11-42, filed Apr. 2, 2012 at 9; Reply of CenturyLink, WC Docket No. 11-42, filed May 15, 2012 at 5 & n. 12.

<sup>13</sup> See 47 C.F.R. § 0.457(d)(1)(iii).

**D. The Bureau Should Alter The National Subscriber List Requirement**

Item 1 of Appendix A requires the auditee to provide an electronic subscriber list of subscribers for a selected month for all of its study areas broken out in twelve columns of information. As already mentioned, CenturyLink has estimated that creating this list will require approximately 1900 hours and applying Commission estimates could cost approximately \$76,000. Instead of requiring a complete subscriber listing for every study area, the Bureau should permit a less comprehensive subscriber list to be provided. For instance, the Bureau could allow a complete subscriber list for a sampling of study areas, a set number of customers per study area across all study areas, or a set number of customers per study area for a sampling of study areas. A reasonable sampling of customers and study areas should suffice to accomplish effective review of these providers' compliance with Lifeline program requirements without the excessive administrative burdens and costs of creating a comprehensive National Subscriber List.

**E. The Bureau Should Clarify The List Of Recertified Subscribers That An Auditee Is To Provide For The Audit**

Item 9 in Appendix A requires the auditee to provide an “[e]lectronic subscriber list of the subscribers that were recertified during the audit period and reported on the Form 555”. One interpretation of this requirement could be that the auditee should provide a list of just the subscribers (if any) that an ETC recertified in November and December of the six-month audit period prior to submitting the Form 555 at the end of January that would fall within the audit period. But, in the Fieldwork Testing Procedures, Objective IV, Procedure 5 it states that the auditor should “[r]eview the ETC’s detailed recertification results of the individual subscribers reported on the Form 555, as provided in Item 9 of Appendix A” and “[v]erify that the data reported on the Form 555 agrees with the detailed recertification results.”

It is unclear how the auditor is to perform this verification without a complete list of the subscribers reflected on the Form 555, which would be the complete list of subscribers recertified for the year reported on the Form 555. CenturyLink would appreciate clarification of what the Bureau intends the carrier to provide the auditor for Item 9 of Appendix A and what it intends the auditor to do in reviewing that data for Objective IV.

Additionally, the Bureau should clarify that a comprehensive list of subscribers recertified in a given year is not required. Instead, the Bureau should permit a smaller subscriber list to suffice such as a subscriber list that would cover the recertification process in a sampling of states. A reasonable sampling of a provider's recertification efforts in a few states should suffice to accomplish effective review of these providers' compliance with the Lifeline program recertification requirements without the excessive administrative burdens and costs of creating a comprehensive customer recertification list.

**F. The Bureau Should Clarify That The Internal Control Questionnaire Can Be Completed By More Than A Single Person For The Entire Company**

In the Internal Control Questionnaire the Bureau asks that "one person for the entire company who is involved in the Lifeline process complete and return" the questionnaire.<sup>14</sup> It is unrealistic to expect that larger Lifeline providers like CenturyLink will have only "one person" for the entire company who is involved in the Lifeline process complete the Internal Control questionnaire. As a larger carrier, providing Lifeline service in portions of 37 states, with over 100 local operating companies designated as ETCs, CenturyLink does not have a single person that could provide the responses requested for the company at a holding company level. CenturyLink would of necessity have a team review and work together to gather the requested

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<sup>14</sup> Public Notice at Appendix C at 29.

information and provide the responses. The Commission should revise this statement to be clear that a team of individuals can prepare the responses to this questionnaire.

#### **IV. CONCLUSION**

CenturyLink shares the Commission's goals of reducing waste, fraud and abuse in the Lifeline program. But, those goals can be achieved without subjecting select Lifeline providers to the biennial audit plan as proposed. The Commission should take additional steps to minimize the significant and unnecessary burdens imposed by the proposed biennial audit requirements. It should also clarify specific aspects of the proposed biennial audit plan to ensure consistent interpretation of the audit plan requirements.

Respectfully submitted,

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