

and must conduct the audits consistent with Generally Accepted Government Auditing Standards (GAGAS). The audits shall be performed as agreed-upon procedures (AUP) attestations.⁴

Many of the audit requirements would and should be eliminated when the Commission implements its database to determine Lifeline eligibility and verification. This database would replace the current obligation of many ETCs to determine eligibility and continue to verify eligibility of households for the Lifeline discount. The Commission should promptly move forward on efforts to design and implement the eligibility and verification database and relieve ETCs of this responsibility for administering a federal government program.

USTelecom supports efforts to maintain and enhance the integrity of the USF programs, including Lifeline, but audit requirements need not be excessively burdensome or duplicative in order to be effective. Requirements should also be reduced when rendered irrelevant by automated processes such as the eligibility and verification database.

I. The Audit Plan Should Not be Duplicative of Other Lifeline Audit Programs

Along with implementation of the Biennial Lifeline Audit Plan, the Commission should grant USTelecom's Petition for Reconsideration of the Lifeline Reform Order⁵ and eliminate the existing audit regime with respect to Lifeline,⁶ since this regime is redundant with the new independent audit requirement. Fulfilling both sets of audit requirements is unnecessary and a drain on carrier and Universal Service Administrative Company (USAC) resources. To the extent that an ETC is able to demonstrate program compliance through an audit, it stands to

⁴ Id.

⁵ See *Petition for Reconsideration and Clarification of the United States Telecom Association, Lifeline and Link Up Reform and Modernization* (WC Docket No. 11-42), *Lifeline and Link Up* (WC Docket No. 03-109), *Federal-State Joint Board on Universal Service* (CC Docket No. 96-45), *Advancing Broadband Availability Through Digital Literacy Training* (WC Docket No. 12-23) filed April 2, 2012.

⁶ The current Lifeline audit program includes the Beneficiary and Contributor Compliance Audit Program -- BCAP audits -- and Program Quality Assurance -- PQA process.

reason that it would similarly be able to demonstrate compliance via a Beneficiary and Contributor Compliance Audit Program (BCAP) audit or through the Program Quality Assurance (PQA) process.

I. Performing a Full Audit Every Two Years is Excessive and Unnecessary

A full audit is an expensive labor intensive undertaking, particularly for companies with multiple ETCs, and should not be required biennially for ETCs with no history of non-compliance and no showing of material non-compliance in the initial audit.⁷ The time and expense of a full audit for all study areas is likely to be several times the FCC estimate. The Bureau has the requisite authority and should prospectively exercise the discretion it is granted in the Lifeline Reform Order to relieve the carrier of its obligation to perform an independent audit in the next biennial audit cycle.⁸ If a full audit of this scope is to be conducted, it should be limited to the first year after the new audit procedures have been finalized and ETCs have had the opportunity to prepare for and implement those procedures. But once that audit has determined that processes and procedures are in place to ensure the ETC's overall compliance with the Lifeline program's rules and requirements, it is unnecessary to continue to impose the costly obligation of a full audit on ETCs with no history or showing of material non-compliance. After successful completion of the initial full audit, defined as the absence of a finding of material non-compliance, such ETCs should be excused from further full biennial audits. Even if there are findings of material non-compliance, future audits should be limited to areas of such non-compliance.

⁷ The estimate of the burden per ETC of 250 hours times \$200 per hour for a total of \$50,000 per ETC audit only reflect auditor time, not auditee time which could be multiples of that number.

⁸ See Lifeline Reform Order, ¶ 295.

II. All Study Areas of a Particular ETC Need Not be Subject to a Full Audit

Although the audit and its findings apply on a holding company basis, and processes and procedures are generally adopted and implemented company-wide, every study area of each company will be subject to review. For many of the companies involved for whom the biennial audit requirement applies, this can include many study areas and unnecessary work and expense involving redundant reviews of identical processes and procedures. Per the Notice, the Biennial Audit plan should focus on an ETC's corporate-wide compliance rather than on an ETC's performance on a specific day in a particular study area.⁹

III. The Requirement to Generate a National Subscriber List for a Random Month is Excessive

The requirement that ETCs generate a national subscriber list for a random month will require ETCs subject to this audit requirement to generate a list of at least 45,000 customers (\$5,000,000 yearly threshold divided by a monthly discount of \$9.25) and potentially many more. This list must be broken out to provide the additional columns of information requested for each subscriber. This requirement is unnecessary and excessive. Sampling should be able to generate information of equivalent value to auditors.

Similarly, the requirement that ETCs provide a list of all the subscribers for which they performed recertification in 2013 is excessive. While Appendix A – Requested Documentation – Request 9, requires auditees to provide “electronic subscriber list of the subscribers that were recertified during the audit period and reported on the Form 555, and this could be limited to the subscribers that the ETC recertified in November and December of the audit period prior to submitting the Form 555 at the end of January,” Procedure 5 in the Fieldwork Testing procedures

⁹ See Notice, Attachment 2, General Standard Procedures for Biennial Independent Audits Required Under the Lifeline Reform Order for the Period November 1 Through April 30, ¶ 4 (“Attachment 2”).

under Objective IV states that the auditor should “[r]eview the ETC’s detailed recertifications results of the individual subscribers reported on the Form 555, as provided in Item 9 of Appendix A. Verify that the data reported on the Form 555 agrees with the detailed recertification results.” The auditor would be unable to perform this verification unless it has 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. A full recertification list should not be required – an approach such as a sampling of a few states should be sufficient.

Appendix A, Request # 1, which requires documentation of the service start date and the Lifeline start date, should be clarified. For Lifeline purposes, there is no need to identify the service start date if it does not coincide with the Lifeline start date. It should also be clarified that the service start date must be provided if it is after the adoption of the Lifeline Reform Order. Incumbent local exchange carrier ETCs may have begun providing Lifeline service to some customers as long as 20 years ago. Billing and customer service records may not permit those providers to obtain Lifeline service initiation dates through any automated query. Since adoption of the Lifeline Reform Order, providers are on notice to begin including Lifeline service initiation dates in their customer records, so they can comply with the requirement for customers beginning Lifeline service as of the effective date of the Order. For Lifeline subscribers beginning service prior to that; however, the Commission should clarify that it is acceptable for carriers to indicate simply that the service initiation date was a date prior to the implementation of the Order.

IV. Draft Audit Reports

Draft audit reports should remain confidential and available only to the ETC until finalized. This finding would reverse the mandate of paragraph 294 of the Order, which requires

the third-party auditor to submit a draft of the audit report to the Commission and USAC and specifically states that the audit reports will not be considered confidential and requests to render them so will be denied. The very nature of a draft means that it is subject to review and revision, some of which may be significant. Given the document is not in its final form, distribution of the draft to the Commission and USAC could cause unnecessary confusion and create impressions of compliance (or lack thereof) that may be difficult to correct in the minds of the readers at the Commission and USAC. Moreover, what function are the Commission and USAC intended to have with respect to a draft report? Presumably, any actions taken by either party would be pursuant to a final report, not merely a draft subject to revision. Making draft audit reports public is grossly unfair to providers that may not have a reasonable opportunity to refute proposed findings and correct auditor errors. This approach is also fundamentally at odds with the Commission's preexisting rules that provide for significant, automatic confidentiality of audit materials. Section 0.457(d)(1)(iii) of the Commission's rules provides automatic confidential treatment for information submitted in connection with audits, and 47 C.F.R. § 0.459(a) provides that a formal request for confidentiality need not be filed with each submission of audit materials.

V. The Audit Test Period Should be Shortened and Confined to One Calendar Year

The six-month test period mandated in the Biennial Audit Plan is unnecessarily lengthy, creating more burdens than necessary. A briefer test period would provide more than enough information to determine compliance.

Also, the test period should be confined to one calendar year. The November through April test period included in the Biennial Audit Plan¹⁰ stretches across two calendar years, adding unnecessary burdens and complexity.

VI. Customer Care Numbers

Included in Objective 1 – Carrier Obligation to Offer Lifeline – Procedure 3 instructs the auditor to “[m]onitor 10 random incoming calls to telephone numbers(s) used as customer care for the Lifeline program.” This procedure – and the reporting of monitoring results to the Commission and/or USAC – may implicate potential confidentiality and/or privacy concerns. Moreover, some ETCs may not have customer care numbers specifically dedicated to Lifeline. While monitoring can be performed on general customer care lines until 10 incoming calls relating to Lifeline are received, that may take some time and may not be an efficient use of auditors’ time or resources. It would expedite the monitoring process if auditors were permitted to use recorded calls.

VII. Internal Control Questionnaire

Appendix C, the Internal Control questionnaire, requires that one person for the entire company who is involved in the Lifeline process complete and return the questionnaire on or before the due date, but it is unrealistic to expect that a large ETC will have only one person for the entire company who is involved in the Lifeline process to have sufficient knowledge in the disparate areas covered by the questions to complete the Questionnaire. This requirement should be removed.

¹⁰ Id.

Also, at least two questions in the Questionnaire should be deleted. First, Question 4 in the “Control Environment” section asking whether the person designated as responsible for compliance has their financial compensation linked to compliance performance should be deleted. The Commission should not be dictating the compensation policies of regulatees. In the same section, Question 8 asks “Do management decisions and actions *portray an attitude* that compliance with laws, rules, and regulations affecting the organization are of the utmost importance?” [emphasis added] Auditors are not competent to assess “attitudes” and should not be asked to do so.

VIII. Conclusion

USTelecom supports efforts to maintain and enhance the integrity of the USF programs, including Lifeline, but audit requirements need not be excessively burdensome or duplicative in order to be effective. Requirements should also be reduced when rendered irrelevant by automated processes such as the eligibility and verification database.

Respectfully submitted,

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