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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)
Lifeline Biennial Audit Plan) WC Docket No. 11-42
)

COMMENTS OF VERIZON AND VERIZON WIRELESS¹

In the *Lifeline Reform Order*, the Commission directed the Wireline Competition Bureau (Bureau) to develop standard procedures for independent biennial audits of carriers receiving \$5 million or more in annual support from the low-income universal service support program, otherwise known as “Lifeline.”² Most of the Bureau’s proposed audit procedures³ are workable, and Verizon has no objection to them. Some proposals go too far and would impose significant burdens and expense on Lifeline providers, and those proposals should not be adopted or should be modified.

Overall, the scope of the proposed audit procedures is too broad – going beyond what was envisioned by the *Lifeline Reform Order* and proposing requirements that have no connection to any specific Lifeline program rule. Each audit procedure should be tied to a Lifeline requirement being audited, and any proposed requirements that are not tied to a specific Lifeline obligation should be eliminated. Similarly, proposed audit requirements reflecting requests for data should be limited to data that providers actually have in the format in which they have it and should not impose an obligation on providers to create new records or re-format

¹ In addition to Verizon Wireless, the Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc. (collectively, “Verizon”).

² See *Lifeline and Link Up Reform and Modernization*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2012) (“*Lifeline Reform Order*”).

³ See Public Notice, *Wireline Competition Bureau Seeks Comment on the Lifeline Biennial Audit Plan*, 28 FCC Rcd 14016, at Attachment 2 (2013) (“Lifeline Biennial Audit Plan”).

data into a form they otherwise do not maintain. On that point, in many cases, the information sought by the proposed audit procedures is in the hands of state commissions or third party state administrators that make eligibility and recertification decisions or otherwise administer aspects of the program. In those instances, auditors should seek the information directly from those entities, as Lifeline providers should not be required to explain or provide information on behalf of third parties.

I. THE PROPOSED AUDIT PROCEDURES RAISE A NUMBER OF GENERAL CONCERNS.

The proposed audit procedures raise a number of general concerns that recur across the various proposed requirements.

A. The Proposed Scope of the Audit Plan Is Extensive, Reaching Beyond the Lifeline Regulations, and Would Impose Significant Burdens and Expense on Lifeline Providers.

The proposed audit procedures are extensive. The Lifeline Biennial Audit Plan is 48 single-spaced pages and includes seven appendices that collectively contain more than 115 different questions and information requests (many of which contain multiple subparts and requests), as well as a 12-page listing of compliance requirements. Complying with these procedures and an audit of this scope would impose a significant burden on all Lifeline providers, subjecting them to considerable expense even where there has not been any instance of material noncompliance with program requirements.

In its own estimate submitted to the Office of Management and Budget (OMB), the Commission has acknowledged that each provider would need to spend 250 hours for each biennial audit report and roughly \$50,000 per audit.⁴ That is not realistic. Based on the scope of

⁴ See Supporting Statement, *Information Collection(s) Being Submitted for Review and Approval to the Office of Management and Budget (OMB)*, 77 FR 52718 (2012).

the proposed procedures, each provider is likely facing a much higher expense in terms of time, resources and auditors' fees. In Verizon's experience, even audits of a narrower scope for a *single* study area can cost nearly as much as what the Commission has suggested for a broader review of *all* study areas here. In reality, the cost in both hours and dollars is likely to be many multiples higher than the estimate submitted to OMB – particularly for larger providers. Indeed, Verizon alone has 19 wireline and 10 wireless study areas – all of which would be subject to audit every two years under the Lifeline Biennial Audit Plan, regardless of whether those study areas were associated with any problems and without regard to firm-wide procedures that may be in place across study areas.

The proposed procedures also would require providers to generate a national subscriber list containing multiple data fields for a random month or several months for *all* of their Lifeline subscribers. This is a significant undertaking. For example, in Verizon's case, that means generating data from various systems and populating spreadsheets for hundreds of thousands of different customers.

As such, the scope of the Biennial Audit Plan reflects a potentially serious burden on Lifeline providers – particularly when combined with other existing Lifeline-related audits and the daily administration of the program by those providers (*e.g.*, application reviews, recertification, annual reports, etc.). The Commission therefore should consider scaling back the scope of the proposed audits or, at a minimum, requiring a full audit only in the first review period. If that full audit does not reveal any material non-compliance with program rules, that provider should be subject to a less burdensome audit of a lesser scope going forward. And, even in the case of material non-compliance, future audits should be focused on those areas of material non-compliance. By the same token, the Commission should relieve providers from the

burden of having to undergo both the proposed new audits and other existing Lifeline audit or review processes – including, for example, the Beneficiary and Contributor Compliance Audit Program (BCAP) audits, USAC In-Depth Validations (IDVs), and Payment Quality Assessments (PQAs).

B. The Proposed Audit Procedures Are Not Sufficiently Tied to Lifeline Requirements.

The purpose of any Lifeline audit should be to determine whether a provider is complying with Lifeline program rules. However, in many cases, the proposed biennial audit plan is overly broad, setting forth requirements that are not tied to any specific Lifeline rule.

For example, the proposed Internal Control Questionnaire⁵ asks a number of questions that are not linked to any Lifeline requirement, such as whether “the company designated an individual responsible for compliance,” whether any such individual has the “necessary ... resources” and whether “management promote[s] an environment of integrity and high values,” while posing general inquiries regarding company codes of conduct, document retention policies, IT systems and other issues that are not specifically connected to the Lifeline program. This approach amounts to a very general compliance program audit that would be massive in scope, especially as applied to large companies, and goes well beyond what was envisioned by the *Lifeline Reform Order*. Each proposed audit procedure should be tied to a Lifeline requirement being audited, and any proposed requirements that are not tied to a specific Lifeline obligation should be eliminated.

C. Providers Should Not Be Required to Create Information They Do Not Have.

In many cases, there is a disconnect between the information sought by the proposed Lifeline Biennial Audit Plan and the information that providers actually maintain. Verizon

⁵ See *Lifeline Reform Order*, at Appendix C.

addresses a number of these requests within the context of specific proposals below. In some instances, the disconnect is a matter of format: the Bureau would like providers to produce data in a more electronically usable format than what the provider has today. In other instances, the Bureau seeks information that providers simply do not have (in any format). For example, some of the requested information relates to or is maintained by state commissions, state administrators or other intermediaries that make eligibility determinations or otherwise administer aspects of the Lifeline program – separate and apart from the service provider.⁶

In each of these cases, the Bureau should limit its requests to information that providers actually have in the format in which they have it. Providers should not have an obligation to create new records or re-format data into a form they otherwise do not maintain – especially given the number of customers at issue and the amount of data being requested. And, where the requested information relates to or is maintained by a state commission, administrator or other intermediary, auditors should seek the information directly from those third parties, rather than Lifeline providers.

D. The Timing of Audits Should Be Modified.

The Lifeline Biennial Audit Plan proposes that the audit period for each biennial audit will be from November 1 through April 30.⁷ It is unclear why the audit period is proposed to be six months or why it is proposed to be these six months, in particular. As discussed below, there may be significant Lifeline activity falling outside those particular six months. For example, some providers undertake their annual Form 555 recertification process in the June to December

⁶ See, e.g., Lifeline Biennial Audit Plan, at Appendix B, Request Nos. A.4 and B.4 (asking provider to identify the methods state commissions or administrators use to determine eligibility and confirm subscribers' continued eligibility).

⁷ See Lifeline Biennial Audit Plan, ¶ 6.

timeframe, outside the proposed audit period. And it may increase the burden on the auditor when some relevant information falls within the audit period and some does not. The auditor should have the flexibility to select those months that, in its professional judgment, would reflect the optimal audit period. In addition, while the Lifeline Biennial Audit Plan is unclear as to when the first audits should begin, the Bureau may wish to delay the first round of audits until providers have had the opportunity to prepare for and fully implement the new audit procedures. Once the final audit procedures are adopted by the Commission, USAC will need time to educate and train auditors, and providers will need time to prepare requests for proposals, review auditor responses to such proposals, and engage an auditor. Moreover, once the final audit procedures are adopted, and given the scope of the proposed audit procedures and the amount of material (new and old) required by those procedures, it may take some time for providers to put appropriate processes and data collection/compilation mechanisms in place to meet auditor demands. Conducting the first audits in 2015 and/or designating the first audit periods to begin later in 2014 (or in 2015) would help alleviate this issue.

II. A NUMBER OF SPECIFIC PROPOSALS RAISE ADDITIONAL CONCERNS AND/OR REQUIRE FURTHER CLARIFICATION.

In addition to the overarching concerns discussed above, Verizon has questions or concerns with a number of specific procedures as proposed in the Lifeline Biennial Audit Plan, discussed below in the order in which they appear in the Plan.

A. Section III. Fieldwork Testing Procedures.

1. Objective I: Carrier Obligation to Offer Lifeline.

Procedure 2. See discussion under Appendix A, Request #6 (below).

Procedure 3. The Bureau proposes that auditors monitor ten random incoming calls to telephone number(s) the providers have identified as being used as customer care for the Lifeline

program. However, this sort of monitoring and the subsequent reporting of that monitoring to the Commission and USAC might raise potential confidentiality and privacy concerns, particularly to the extent they capture discussions about account information and other matters unrelated to the audit.

Such monitoring may not be practical in any event. In some cases, the telephone number(s) used to provide customer care for the Lifeline program also are used for various other (non-Lifeline) customer care issues. In other words, the customer care number may not be specific to Lifeline. As a result, auditors could sample dozens, if not hundreds, of calls and only hear discussions related to other customer care issues – without ever hearing a call related to Lifeline. In addition, as the proposed procedure notes, providers also employ interactive voice response (IVR) systems to handle some customer calls, and an auditor listening to an IVR call may only hear beeps as the customer presses keys to respond to voice prompts. As a result, it would be more efficient to allow auditors to review recorded calls that the provider has identified as being related to Lifeline.

2. Objective II: Consumer Qualification for Lifeline.

Procedure 2. Under this proposal, the auditor would compare the National Subscriber List furnished by the provider⁸ to the number of subscribers reported on the provider's FCC Form 497. However, the manner in which the information is stored on the National Subscriber List may not correspond with the Form 497. Each Form 497 corresponds to a specific month, whereas the National Subscriber List will be updated more frequently. So, while the number of subscribers recorded on the Form 497 might be accurate for the month to which that report

⁸ See Lifeline Biennial Audit Plan at Appendix A, Request #1.

applies, it may not match what is listed on the National Subscriber List, which may reflect data from other and/or additional periods.

Procedure 3. See discussion under Appendix A, Request #1.

3. Objective III. Subscriber Eligibility Determination and Certification.

Procedure 3.a.xi. This proposal would have the auditor examine the subscriber's initial certification form to verify that it is dated prior to or on the same day that the subscriber's Lifeline service began (as reflected by the start date listed on the National Subscriber List). However, the proposal does address how to handle the discrepancies that might arise, not because of fraud or data error, but simply because some subscribers' enrollment pre-dates adoption of this initial certification form and thus, naturally, they would not have completed the form.

B. Appendix A.

Request #1. The Bureau proposes that providers submit an electronic subscriber list of Lifeline customers for all study areas in a specific format – listing various information about each subscriber, including but not limited to first and last name, address (including apartment or unit numbers), date of birth, Social Security Number and service start date. However, providers may not maintain all of this data in the requested format. And re-formatting existing data into the requested format might require manual processing and could take significant time, cost and effort – particularly in the case of larger providers with hundreds of thousands of customers. Indeed, even producing this data with little to no re-formatting could take some time for larger providers with many subscribers.⁹

⁹ The same issues exist for certain of the information requested in Appendix A, Request #9, discussed below.

Accordingly, the audit process needs to take into account that Lifeline providers may not be able to timely provide electronic subscriber list data in the format requested. As discussed above, beginning the first audits in 2015 and/or designating the first audit periods for later in 2014 would help address this concern, as it would allow providers time to implement system changes to better capture the requested material and/or otherwise produce the material in the suggested format going forward.

That said, some of the requested subscriber information may not be verifiable by or readily available to the provider. For example, unlike a service address, providers cannot verify the date of birth furnished by a subscriber. Moreover, in some cases, subscriber information – such as date of birth or Social Security number – is included on an application form submitted to a state administrator, rather than to the provider. Although the provider ultimately may receive a copy of that application form, even then it is often in PDF form – which is not particularly useful for purposes of the proposed audit requirement or any electronic compilation or review of the data.

For example, Objective II, Procedure 3 contemplates that the auditor will use computer-assisted audit techniques to examine the National Subscriber List, capturing specific data for analysis. But that process may not be readily achievable where the data is contained only on PDF copies of application forms provided by a third party administrator and not in a more usable provider system that could be incorporated into the National Subscriber List.

Providers should not be tasked with the burden of converting that sort of third party information into a more usable format or creating new material they otherwise do not have. It would take significant time and resources to take information from a PDF copy of an application and manually plug it into a database for audit purposes – and the time and expense are only

multiplied for larger providers with hundreds of thousands of Lifeline subscribers. Accordingly, providers should produce whatever information they have in the format in which they have it (e.g., PDF copies of subscriber applications). But, if something more or different is required, the auditor should look to the state administrator to see if it maintains the information in a more usable or readily convertible manner.

In addition, the Bureau should clarify what information is sought by the request for each subscriber's "service start date." That request appears separate from the subscriber's "Lifeline start date" and, therefore, seems to refer to the first date on which the customer received *any* form of service from the provider. A provider may not maintain such historical information, and other forms of service do not appear relevant here.¹⁰

Similarly, the Bureau should clarify the meaning of its request for identification of "dollar value of low-income discounts provided." Providers receive a uniform \$9.25 in reimbursement from the Lifeline program for each eligible subscriber (excluding those in Tribal lands). If the Bureau is requesting information on a "dollar value" different than this \$9.25 discount, it should clarify precisely what it is seeking.

Request #6. The Bureau proposes that providers furnish copies of five examples of marketing materials used to advertise their Lifeline service plans. Providers may advertise Lifeline services in multiple newspapers, in bill inserts or invoice messages, on their websites and through other mass media modes of communications. Together, these may total thousands of advertisements. However, for any given study area, a provider may not use five different

¹⁰ The audit procedures should account for the fact that some systems will continuously update the equivalent of a "service start date" field when certain types of account changes are made. So, for example, the original service start date for a customer might be changed or overridden when that customer makes a change to the account like moving service to a new location, changing a billing telephone number or becoming a Lifeline customer.

modes or forms of marketing materials. For example, in one area, a provider may just rely upon newspaper advertising and bill inserts in one area. The Bureau therefore should clarify that the requested five examples can include marketing materials from a combination of different formats – such as advertisements in three different newspapers plus one bill message and one company website page – and that it does not require five different modes of advertising in each study area.

In addition, the Bureau should correct the disconnect between this request – which seeks five examples of marketing materials – and the request in Objective I.2 of the Fieldwork Testing Procedures for the “10 examples of carrier marketing materials” provided in response to Appendix A. In fact, Appendix A only seeks five such examples, and Objective I.2 should be changed accordingly.

Request #9. The Bureau asks for an electronic list of the subscribers that were “recertified during the audit period” and reported on FCC Form 555. Because of the way in which the Bureau has defined the audit period (from November to April), this request arguably would capture only the relatively few (if any) subscribers recertified in November and December of the six-month audit period prior to the January submission of Form 555. But this appears inconsistent with one of the Fieldwork Testing Procedures, which requires the auditor to “[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.”¹¹ The auditor cannot 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 – not just those recertified during the limited audit period set forth in the Lifeline Biennial Audit Plan.

¹¹ Lifeline Biennial Audit Plan, III. Fieldwork Testing Procedures, Objective IV, Procedure 5.

In addition, because this Request seeks much of the same kind of electronic subscriber information asked for in Request #1, it presents the same kind of issues, as discussed above. Among other things, providers may not maintain the requested information in the requested format or may only have access to certain information provided by state administrators. It therefore may be difficult for providers to cull through, re-format and/or otherwise timely identify all of the requested data for the relevant time period – particularly where the request concerns actions of state administrators (*e.g.*, Request #9, k. and l.).

C. Appendix B.

Request A.4 and B.4. Section A asks providers to identify the parties responsible for determining the eligibility of Lifeline subscribers, while Section B requests the identity of the parties responsible for completing FCC Form 555. In the event that state commissions or third party administrators are the responsible parties, Requests A.4 and B.4 ask that the provider identify the methods such state commissions or administrators use to determine eligibility and confirm subscribers' continued eligibility, respectively. However, those questions should be directed to the relevant state commissions or third party administrators, rather than to the provider. Verizon and other providers are not in a position to explain the methods and processes of a state entity or other such third party and should not be required to answer on behalf of those entities. Indeed, the Bureau should make clear that – when state commissions or third party administrators are responsible for eligibility questions – the provider does not have any independent responsibility for those questions and, therefore, is not required to conduct any additional investigation or otherwise backstop the third party's process.

Request C.5 and C.7. Section C asks providers to identify when they terminate Lifeline service for subscribers who are identified by state commissions, third party administrators, other intermediaries or USAC as receiving duplicate support or otherwise no longer being eligible for

support. USAC asks that service be terminated within five days after providing notice that it has identified a subscriber as receiving duplicate support.¹²

The strict five-day requirement (i) does not provide the subscriber notice and/or an opportunity to defend his or her eligibility and (ii) severely limits a provider's ability to verify that any particular subscriber actually is receiving duplicate support (or otherwise is ineligible for support). Without notice or opportunity to defend, the subscriber loses his or her discount and must spend time and effort to inquire why the discount was terminated, re-apply for services, and possibly seek recourse from USAC for those months where the discount was lost or service reconnect is required. Given the extraordinary consequences of the five-day requirement, it is essential that the Commission and USAC adopt an approved standard of what constitutes a duplicate and can demonstrate that, in any particular audit, the subscriber meets that duplicate standard.

In Verizon's experience, USAC sometimes identifies subscribers as receiving duplicate support when, in fact, they do not. For example, USAC has identified persons with the same last name who live in the same apartment building (*i.e.*, who have the same street address) as receiving duplicate support, when those persons had different first names and lived in different apartments. In other words, USAC sometimes identifies customers as duplicates when they actually appear to be separate, eligible subscribers.¹³

In those instances, the five-day requirement does not allow the subscriber or the provider adequate time to correct the mistake before service is terminated. As a result, eligible persons in

¹² See 47 C.F.R. 54.405(e)(2).

¹³ The issue of what constitutes a "duplicate" arises in other sections of the proposed audit procedures, as well. See, *e.g.*, Appendix B, Request D.4-D.7.

need of service can lose it. And both subscribers and providers may have to spend additional time and resources to re-institute the service later.

The Bureau therefore should clarify that, in order to invoke the five-day requirement, USAC must show that: (1) there is a match between customers with the same name and same address, including secondary address information such as apartment numbers; (2) there is no worksheet to demonstrate a separate economic household; and (3) the carrier has no further evidence indicating that the customer is part of a separate household. When this standard is satisfied, it would be appropriate to employ a strict five-day requirement, and subscriber notice is unnecessary.

D. Appendix E.

Request #1. The Bureau asks that, as part of a subscriber sample, providers furnish auditors with the initial subscriber certification form obtained at enrollment and any re-certification forms. However, in some instances, there is no “re-certification form.” In some cases, subscribers recertify through an IVR service, where they enter re-certification information over the phone that is recorded by the provider’s systems. The Bureau should clarify that, in those circumstances, providers can satisfy this request by supplying records of the information subscribers entered into the IVR system and that no additional “re-certification form” is necessary.¹⁴

¹⁴ In addition, the Bureau should clarify that provider records of the information entered by the subscriber are sufficient and that there is no need for audio recordings of the IVR call, as USAC has requested in some audits. In some cases, the subscriber presses a button to enter information regarding re-certification into the IVR platform; there is no spoken audio to record. Or, stated differently, any audio recording would just reflect the “beep” of buttons being pressed and sophisticated audio logic determines the customer’s answer that is not understood by the human ear.

CONCLUSION

The proposed biennial audit plan should be amended in accordance with the foregoing.

Respectfully submitted,

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