

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

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

**COMMENTS OF THE INDEPENDENT TELEPHONE &  
TELECOMMUNICATIONS ALLIANCE**

The Independent Telephone & Telecommunications Alliance (“ITTA”) hereby submits its comments in response to the September 30, 2013 *Public Notice* issued by the Federal Communications Commission (“Commission”) in the above-captioned proceeding.<sup>1</sup> In the *Public Notice*, the Commission seeks comment on the Wireline Competition Bureau’s proposed Lifeline Biennial Audit Plan.

The Commission’s *Lifeline Reform Order* requires every eligible telecommunications carrier (“ETC”) providing Lifeline services that receives \$5 million or more from the Lifeline program annually to hire an independent accounting firm to conduct a biennial audit for purposes of protecting the program from waste, fraud, and abuse.<sup>2</sup> The Lifeline Biennial Audit Plan proposed in the *Public Notice* establishes uniform audit procedures for independent auditors to review the internal controls and processes of Lifeline service providers and assess ETCs’ overall compliance with the Lifeline program’s rules and requirements. Rather than focusing on

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<sup>1</sup> *Wireline Competition Bureau Seeks Comment on the Lifeline Biennial Audit Plan*, Public Notice, WC Docket No. 11-42 (rel. Sept. 30, 2013) (“*Public Notice*”).

<sup>2</sup> See *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket No. 11-42, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, ¶ 291 (2012) (“*Lifeline Reform Order*”).

situations where additional oversight may be warranted (*e.g.*, with respect to new Lifeline providers or providers for which waste, fraud, and abuse is a recurring issue), the *Lifeline Reform Order* requires all affected ETCs to retain an independent accounting firm to assess Lifeline compliance across their entire operations on a nationwide basis, regardless of whether there is any evidence of non-compliance with the program.

As the Commission recognized in the *Lifeline Reform Order*, comprehensive biennial audits of this nature will entail significant expense for Lifeline providers and will place a substantial drain on their internal resources.<sup>3</sup> According to the Commission's estimates, the annual burden for each ETC to complete its biennial audit report will be about 250 hours at a cost of approximately \$50,000 per audit.<sup>4</sup> To address concerns regarding the extensive time and cost associated with biennial audits, the Commission limited this requirement to larger ETCs who, the Commission contends, "have greater resources to devote to compliance-related activities."<sup>5</sup> Importantly, the Commission also concluded that if there are no material findings of non-compliance in an ETC's first independent audit report, the Commission may relieve the ETC of its obligation to perform an independent audit in the next biennial audit cycle.<sup>6</sup>

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<sup>3</sup> *Id.* at ¶¶ 295, 297.

<sup>4</sup> FCC Supporting Statement, OMB Control No. 3060-0819, at 14 (September 2012), *available at*: <http://www.reginfo.gov/public/do/DownloadDocument?documentID=346743&version=2>. ITTA member companies anticipate that the cost per audit actually will be much higher. Based upon expenses incurred for other Commission-mandated independent third party audits (*e.g.*, CAM audits and payphone dial around compensation audits), ITTA estimates that the cost of conducting the Lifeline biennial audit could easily exceed \$100,000 for each company. To the extent that a company with multiple ETC affiliates cannot conduct a single audit because it has separate billing, customer care, and other systems in place, it would incur this cost for each audit. Furthermore, because the \$5 million threshold applies to total Lifeline support for all affiliates, even some small ETCs with only a few thousand Lifeline subscribers will be burdened with the audit because collectively their affiliates exceed the \$5 million threshold.

<sup>5</sup> *Lifeline Reform Order* at ¶ 295.

<sup>6</sup> *Id.*

Given the significant burden and expense the biennial audit requirement will impose on Lifeline providers, ITTA encourages the Commission to use this mechanism to relieve ETCs of their obligation to conduct further company-wide independent audits when their first audit demonstrates that they have procedures and processes in place to ensure compliance with the Commission's Lifeline rules. Once the first biennial audit is complete, the Commission will have a comprehensive picture of Lifeline program compliance, given that the ETCs who must conduct independent audits collectively account for more than 90% of Lifeline support. The Commission can then focus future reviews on areas of material non-compliance, a much more efficient use of both its resources and the resources of the entities it regulates.

This approach is reasonable for a multitude of reasons. First, as explained above, the initial audit reports will provide the Commission a detailed account of the compliance plans put in place by the ETCs who utilize nearly all of the support available through the Lifeline program.<sup>7</sup> This information will provide a solid baseline from which the Commission can monitor compliance and pursue enforcement actions going forward, concentrating their efforts on situations in which there is demonstrated non-compliance with the program's rules.

Second, the Commission is in the process of implementing the National Lifeline Accountability Database ("NLAD") to prevent waste, fraud, and abuse in the Lifeline program. Once the NLAD is fully operational, authorized users, including ETCs and states, will be able to access the database to determine whether a prospective consumer already is receiving Lifeline service as well as to verify a consumer's initial and ongoing eligibility to receive the Lifeline discount. Once the capabilities of the NLAD are in place, biennial Lifeline audits themselves

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<sup>7</sup> Specifically, the independent audits will provide information on carrier processes and procedures related to: (1) carriers' obligation to offer lifeline; (2) consumer qualification for Lifeline; (3) subscriber eligibility determination and certification; and (4) annual recertification and recordkeeping. *Public Notice* at 2.

will become a largely duplicative effort. It is a waste for ETCs to have to submit data and answer questions related to how they screen for duplicates when authorized users will be using the NLAD for duplicate identification by mid-2014. Moreover, once the next phase of the NLAD database (*i.e.*, the qualification component) becomes operational, requiring ETCs to submit data and answer questions regarding how they determine subscriber eligibility will be unnecessary. At a minimum, it would make sense for the Commission to eliminate the components of the biennial audit requirement aimed at detecting duplicates (Objective II) and determining consumer eligibility (Objective III) once those functions are being served by the NLAD.

In addition, USAC will be continuing its oversight of the Lifeline program, relying on established processes to investigate and address specific instances of non-compliance with the Commission's Lifeline rules on an ongoing basis. Collectively, these measures will provide more than adequate protection against waste, fraud, and abuse and ensure the Lifeline program's continued integrity long after the first biennial audits required by the *Lifeline Reform Order* are complete.

In conclusion, the Commission should exercise its discretion to lift the independent biennial audit requirement for any ETC whose first biennial audit report shows that it has appropriate procedures and processes in place to comply with the Lifeline rules and focus its future oversight efforts on situations where additional scrutiny is warranted.

Respectfully submitted,

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