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June 28, 2013

BY HAND DELIVERY

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

FILED/ACCEPTED

JUN 28 2013

Federal Communications Commission
Office of the Secretary

Re: Lifeline Reform 2.0 Coalition's Petition for Rulemaking to Further Reform the Lifeline Program

Dear Ms. Dortch:

On behalf of Boomerang Wireless, LLC, Blue Jay Wireless, LLC, Global Connection Inc. of America, i-wireless LLC and Telrite Corporation ("Lifeline Reform 2.0 Coalition") and pursuant to section 1.401 of the Federal Communications Commission's rules, 47 C.F.R. § 1.401, enclosed please find an original and four copies of The Lifeline Reform 2.0 Coalition's Petition for Rulemaking to Further Reform the Lifeline Program.

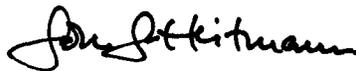
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Respectfully submitted,



John J. Heitmann

*Counsel to Boomerang Wireless, LLC, Blue Jay
Wireless, LLC, Global Connection Inc. of
America, i-wireless LLC and Telrite
Corporation*

Enclosures

Lifeline Reform 2.0

The Federal Communications Commission's 2012 reforms to the Lifeline program have effectively reduced waste, fraud and abuse while producing significant cost savings. Earlier this month, the Commission adopted additional reforms necessary to preserve the program. And yet, there is still more that can be done. To that end, the Lifeline Coalition proposes a comprehensive package of reforms, dubbed "Lifeline Reform 2.0".

The Coalition proposes **three core measures** that serve as the centerpiece of its reform package, including:

- 1. Reviewing government-issued photo ID at the time of enrollment;**
- 2. Retaining copies of ID and proof of eligibility documentation; and**
- 3. Requiring employee review and approval of enrollments prior to activation**

The Coalition's core reforms are part of a broader package of important rule modifications that the FCC should adopt and implement to reduce (real or perceived) waste, fraud and abuse in the Lifeline program. The **comprehensive package of reforms** includes the following proposed requirements:

- 1. Changes to the enrollment process**
 - (a) review of applicant photo identification
 - (b) retention of copies of ID and proof
 - (c) employee review and approval of all enrollments
 - (d) identifying other ETCs by name when enrolling an applicant in Lifeline
 - (e) greater ETC control over mobile and retail in-person enrollment locations (location tracking and sign-in, photo audits, post-enrollment audits)
 - (f) explicit prohibition of the resale or transfer of handsets used to provide Lifeline services (plus marketing disclosures and a modified certification statement)
- 2. Mandatory access to live customer service representatives**
 - (a) access to live customer service representatives that can resolve subscriber concerns regarding enrollment, eligibility and service
 - (b) de-enrollment upon request without requiring documentation
- 3. Enhanced auditing and reporting requirements**
 - (a) comprehensive biennial compliance audits for all ETCs (not just new ones and big ones)
 - (b) annual Form 555 reporting of results of the employee review and approval/rejection process

The Coalition's Lifeline Reform 2.0 reform package will complement the FCC's important and effective 2012 and 2013 reform efforts by eliminating the ability of individuals to exploit gaps that presently exist among ETCs subject to varying regulatory obligations or whose business practices may not reflect current best practices to reduce waste, fraud and abuse.

I. INTRODUCTION AND SUMMARY OF PROPOSED RULES

The Commission's *2012 Lifeline Reform Order* adopted comprehensive revisions to the Lifeline program, which have resulted in significant cost savings (including savings in excess of \$214 million during 2012) resulting in part from a dramatic reduction of waste, fraud and abuse in the program.² As the eligible telecommunications carrier ("ETC") community has told the Commission and the Commission has told Congress, the 2012 Lifeline reforms are working.³

While the Commission's *June 2013 Lifeline Reform Order*⁴ takes significant steps to build on the successful reforms adopted in the *2012 Lifeline Reform Order*, the Coalition respectfully submits that there is more that the Commission and industry can do to combat waste, fraud and abuse, whether real or perceived based on media accounts of the program.

Additional reforms – many of which have been adopted and tested by ETCs in their Commission-approved compliance plans – could be useful and effective in addressing lingering concerns and perceptions about (as well as the potential for) waste, fraud and abuse in the Lifeline program. In particular, there are three elements of the package of reforms proposed here that stand out as necessities toward closing gaps that can be exploited by those who seek to harm the Lifeline program by defrauding it or by representing it in a bad light. **First**, we propose

² See *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report And Order and Further Notice Of Proposed Rulemaking, 27 FCC Rcd 6656 (rel. Feb. 6, 2012) ("*2012 Lifeline Reform Order*"). See also FCC Reports: *Major Reforms to Lifeline Program on Track to Cut at Least an Additional \$400 Million in Waste, Fraud, and Abuse in 2013; Reforms on Schedule to Save More than \$2 Billion by End of 2014*, News Release (rel. Feb. 12, 2013).

³ See, e.g., Letter to the Honorable Greg Walden and Honorable Anna Eshoo from Wade Henderson, The Leadership Council on Civil and Human Rights (Apr. 23, 2013); Letter to the Honorable Greg Walden and Honorable Anna Eshoo from Dmitri Belser, Center for Accessible Technology, et al. (Apr. 23, 2013); and Letter to Chairman Greg Walden and Ranking Member Anna Eshoo from Anthony R. Sarmiento, Senior Service America (Apr. 18, 2013).

⁴ *Lifeline and Link Up Modernization and Reform*, Order, WC Docket No. 11-42, DA-13-1441 (rel. June 25, 2013) ("*June 2013 Lifeline Reform Order*").

the viewing of government-issued photo identification (“ID”) at the time of enrollment. **Second**, we propose retention of copies of ID and proof of eligibility documentation. These two reforms will address accusations that anyone can get Lifeline without proving who they are or how they are eligible. **Third**, we propose employee review and approval of enrollments prior to activation of service. Whether enrollment is conducted at a mobile site, retail store, call center or back-end web support center, an employee of the ETC must review the application and documentation (in-person or via electronic connection to the home office) and approve it before activation of Lifeline service is completed. This reform will continue to allow for the use of agents while codifying a more uniform and higher level of oversight for the ETCs who use them. While ETCs are responsible for the actions of their agents, the program would be well served by a rule that provides for specific oversight requirements.

These reforms are part of a broader package of reforms that the Coalition proposes that the Commission adopt governing multiple aspects of the Lifeline program, including subscriber enrollment procedures, customer service availability and ETC audits. Specifically, these reforms include changes to the enrollment process, including (a) the aforementioned in-person review of applicant photo identification, retention of copies of ID and proof of eligibility documentation, and employee review and approval of all enrollments; (b) identifying other ETCs by name when enrolling an applicant in Lifeline; (c) requiring ETCs to assert greater control over enrollment locations; and (d) explicitly prohibiting the resale or other transfer of handsets used to provide Lifeline services. These reforms will reduce the opportunity for, and ability of, individuals to fraudulently obtain Lifeline services. In addition, ETCs should be required to provide subscribers with access to live customer service representatives who can resolve subscriber concerns and de-enroll subscribers upon request without requiring

documentation. Finally, all Lifeline providers should be required to (a) undergo comprehensive audits that address overall compliance with the Lifeline program requirements throughout each ETC's designated service areas, and (b) report annually the results of the employee review and approval/rejection process proposed herein.

This comprehensive package of proposed reforms, illustrated in summary form in the accompanying attachment, will complement the Commission's 2012 and 2013 reforms and ongoing efforts to minimize waste, fraud and abuse in the Lifeline program.⁵ Adopting the Coalition's proposed reforms will ensure all ETCs are subject to the same evolved, next-generation set of compliance obligations and will eliminate the ability of individuals to exploit gaps that presently exist among ETCs subject to varying regulatory obligations or whose business practices may not reflect current best practices for minimizing waste, fraud and abuse in the Lifeline program.

II. THE COMMISSION SHOULD ADOPT ADDITIONAL REFORMS TO THE LIFELINE ENROLLMENT PROCESS TO FURTHER LIMIT OPPORTUNITIES FOR WASTE, FRAUD AND ABUSE

The first step in preventing waste, fraud and abuse in the Lifeline program is to ensure that the enrollment process allows only those individuals who qualify for the program to be enrolled and does not contribute to any contrary public perception. Because ETCs play the critical role in the enrollment process, the Commission should adopt reforms to clarify the actions ETCs are expected to take to limit fraudulent enrollments. These reforms should include requiring ETCs to (i) review, in-person, valid, government-issued photographic identification for all applicants; (ii) retain in a secure manner copies of government-issued photographic

⁵ Moreover, many of the Coalition's common-sense rule changes fall squarely within the Wireline Competition Bureau's delegated authority, as set forth in the *2012 Lifeline Reform Order*, to "make any further revisions as necessary to ensure the [Commission's] reforms are reflected in the rules." See *2012 Lifeline Reform Order*, 27 FCC Rcd at 6857, ¶ 507.

identification and proof of eligibility documentation for all applicants; (iii) have an employee review and approve all enrollments before an ETC activates service or seeks reimbursement for the subscriber; (iv) identify other Lifeline providers by name during subscriber enrollments to prevent subscribers from receiving service from multiple providers; (v) adopt effective oversight and controls for enrollment locations; and (vi) explicitly prohibit the resale or other transfer of handsets used to provide Lifeline services.

A. ETCs Should Be Required to View Each Applicant's Photo Identification During Lifeline Program Enrollments

Much of the waste, fraud and abuse that occurs in the Lifeline program can be prevented during the enrollment process by taking steps to ensure that only eligible subscribers may be enrolled in the Lifeline program. All Lifeline ETCs should be required to request and review valid government-issued photo identification from Lifeline applicants before enrolling subscribers in the Lifeline program. Requiring in-person review of photo identification has two primary benefits. First, by reviewing valid, government-issued photo identification, an ETC or its representatives can immediately confirm the consumer's identity. The ETC can then be sure that any additional proof of eligibility documents provided by the applicant actually belong to the applicant. Currently, some ETCs do not require an applicant to provide photo identification and, as a result, the ETCs must rely on the applicant's word that the identity and eligibility proof documents presented by the applicant actually belong to the applicant. Such enrollment practices can result in unreliable determinations of consumer eligibility for participation in the Lifeline program.

Second, the photo identification requirement will deter those applicants purposely seeking to defraud the Lifeline program. Applicants who knowingly attempt to take advantage of the Lifeline program will seek out any perceived weaknesses in the enrollment process. These

individuals likely will turn first to those ETCs with enrollment processes that appear to be the easiest to manipulate. In particular, an enrollment process that relies primarily on self-certifications by the applicant are more likely to be sought out by those individuals who intend to defraud the Lifeline program. Once applicants become aware that they will be required to show photo identification before being able to enroll in the program – and that *all* ETCs will require such identification – such efforts to fraudulently participate in the Lifeline program should decrease.⁶

B. ETCs Should be Permitted to Retain Copies of ID and Proof of Subscriber Eligibility Documents

The Lifeline program has been subject to intense scrutiny by the media and the public with some questioning the integrity of the program and others claiming the ability to enroll without meeting the Commission’s new requirement that ETCs view proof of eligibility at enrollment. Presently, with limited exception, ETCs are not permitted to retain a copy of the proof reviewed to confirm eligibility.⁷ This leaves ETCs and the program exposed to claims in both the media and in the auditing context that no proof was ever provided, with limited ability to rely on application notations to prove otherwise. Unfortunately, notations regarding the documents reviewed are simply not the same and do not provide the same irrefutable level of proof that an eligibility document was reviewed than could be achieved by simply producing a copy of the document. In addition, it is harder to detect training issues regarding unacceptable

⁶ While the Coalition believes that in-person review of photo ID offers the strongest protection, we also believe that the Commission should not adopt rules that favor one legitimate business model over another. Accordingly, the Coalition proposes that the Commission also consider whether it is appropriate to create an exception to the in-person component of this requirement for ETCs that enroll eligible consumers through foreign and domestic call centers or through Internet-based enrollments.

⁷ See 47 C.F.R. §§ 54.410(b)(ii), (c)(ii).

documentation when compliance supervisors and auditors only have access to notes about the documents, rather than copies of the documents themselves.

In order to address these concerns and improve the public's perception of the Lifeline program, the Commission should require ETCs to retain copies of ID and proof of eligibility provided in a secure manner.⁸ The Coalition recommends that the retention requirement address manner of encryption and length of retention. Specifically, ETCs should be required to utilize encryption methods that reliably protect against unauthorized access to retained documents. ID and proof documents should be retained for a period of time consistent with the Lifeline program's general record retention requirement.⁹

C. ETC Employees Should Oversee and Review All Lifeline Program Enrollments

A key means of ensuring that only qualified applicants are enrolled in the Lifeline program is to require that all ETCs have all Lifeline enrollments reviewed and approved by an employee before the ETC activates service or seeks reimbursement from the Lifeline program. In an effort to conduct public outreach and have sufficient personnel available at in-person events, many Lifeline providers utilize agents to conduct Lifeline enrollments. Similarly, third-party contractors/agents often are used to facilitate the enrollment process at retail store

⁸ Coalition members consistently have supported TracFone's proposal that ETCs be required to retain copies of eligibility documentation obtained during the enrollment process. *See Lifeline and Link Up Reform and Modernization et al.*, Supplement to Petition for Reconsideration and Emergency Petition to Require Retention of Program-Based Eligibility Documentation, WC Docket Nos. 11-42 et al., CC Docket No. 96-45 (May 30, 2012); *Lifeline and Link Up Reform and Modernization et al.*, Comments of the Joint Commenters on TracFone Petition to Require Retention of Lifeline Program-Based Eligibility Documentation, WC Docket Nos. 11-42 et al., CC Docket No. 96-45 (July 24, 2012); *see also Petition for Rulemaking to Prohibit In-Person Distribution of Handsets to Prospective Lifeline Customers*, Comments of Absolute Mobile, Assist Wireless, Blue Jay Wireless, Boomerang Wireless, Easy Wireless, Global Connection, i-Wireless and Telrite, WC Docket Nos. 11-42 et al., CC Docket No. 96-45 (June 17, 2013) at 10. Indeed, the viewing and retention of copies of proof of eligibility documentation is vital regardless of the distribution method—whether in-person, by phone or over the Internet—that a particular ETC employs.

⁹ *See* 47 C.F.R. § 54.417.

enrollment points, call centers and in a back office responding to web-based enrollment applications. These agents serve an important function by providing applicants with personalized and immediate assistance during in-person enrollments at events and in retail stores. They also can contribute to cost-effective solutions for phone-in and web-based enrollments. With proper training and compliance controls in place, agents can and do ensure compliant enrollments. While the Communications Act makes clear that ETCs are responsible for the actions of their agents,¹⁰ applying an additional layer of employee oversight can serve as an effective control, especially if the oversight is performed by employees whose compensation is not calibrated based on the number of Lifeline subscribers added in a given time period.

One effective way to limit the potential (whether real or perceived) for improper agent-initiated Lifeline enrollments is to require ETCs to have an employee review and approve an enrollment before the ETC can activate Lifeline service or seek reimbursement for the subscriber. Specifically, ETCs should be required to have an employee review each subscriber's application as well as the supporting documentation to detect problems and to better ensure that the subscriber satisfies the Lifeline program eligibility criteria. Once this compliance check is completed, the employee should reject or approve the enrollment. ETCs should only be permitted to include a subscriber on a Form 497 request for reimbursement if an employee has confirmed the subscriber qualifies for enrollment in the Lifeline program. Employee oversight over agent-initiated Lifeline enrollments can serve to check any real or perceived risks associated with such enrollments, whether attributable to commission-based compensation, a lack of a stake in the continuing viability of the ETC itself, or any other risk factor.

¹⁰ See 2012 Lifeline Reform Order, 27 FCC Rcd at 6708-09, ¶ 110; see also *Lifeline Providers are Liable if Their Agents or Representatives Violate the FCC's Lifeline Program Rules*, Enforcement Advisory No. 2013-4, DA 13-1435 (rel. June 25, 2013) at 2.

Requiring all ETCs to implement non-commission-based employee oversight and review of Lifeline enrollments will not disadvantage any particular business model as the requirement neither forecloses nor mandates any specific marketing or enrollment technique. ETCs remain free to conduct enrollments in-person or by other means and to use agents for consumer outreach and enrollment.

D. Identifying Other Lifeline Providers by Name at the Time of Enrollment Will Reduce Duplicative Enrollments

As Lifeline providers continue their efforts to reach eligible consumers during the period before the National Lifeline Accountability Database (“NLAD”) comes online, it is critical that ETCs limit and prevent duplicative service enrollments by educating consumers on the program eligibility requirements. The Coalition recommends that the Commission require all ETCs to educate consumers during the enrollment process by specifically identifying other Lifeline providers by name when asking applicants whether they or anyone in their household is already receiving a Lifeline benefit prior to enrolling the applicant in a Lifeline-supported service.

As part of some ETCs’ enrollment processes, ETC personnel inform Lifeline applicants of the “one per household” restriction on receipt of Lifeline service and inform applicants that they may already be receiving Lifeline support under another name. The ETCs then educate the consumer regarding what is meant by a “Lifeline-supported service” and identify other Lifeline providers by name to facilitate the applicant’s identification of other providers that may be serving the applicant.

A Commission rule requiring all ETCs to identify other Lifeline providers by name would reduce the prevalence of duplicate enrollments. Such a rule should not apply in states with duplicates databases and should sunset upon introduction of the NLAD.

E. ETCs Should Be Required to Maintain Greater Control Over Enrollment Locations

Much of the general public's knowledge about the Lifeline program likely can be attributed to outreach efforts conducted by Lifeline providers.¹¹ As a result, it is critical that Lifeline providers ensure their enrollment and outreach activities comply with the Lifeline program requirements. The Coalition urges the Commission to direct all Lifeline providers to exert effective controls over their outreach and enrollment locations. In particular, ETCs should be required to: (i) track the location of all enrollment events; (ii) require agent check-in at locations prior to beginning enrollments; (iii) conduct photo audits of enrollment events; and (iv) conduct post-event, back-end checks for enrollment irregularities.

Similar requirements can be adopted for enrollments conducted at brick-and-mortar retail locations. For each retail location, ETCs should be required to: (i) maintain a current list of all retail locations conducting enrollments; (ii) require agent check-in at retail locations prior to beginning enrollments; (iii) conduct photo audits of retail location enrollment desks, kiosks or counters; and (iv) conduct regular, back-end checks for enrollment irregularities.

Together, these mandates will ensure that ETC communication and interaction with consumers – whether in mobile locations or in retail stores¹² – complies with Lifeline program requirements, will enable early identification of noncompliant practices and will ensure that all enrollment locations maintain a professional appearance, with Commission-required marketing disclosures prominently displayed.

¹¹ See, e.g., Letter to Marlene H. Dortch, Federal Communications Commission from John J. Heitmann, Counsel to Telrite Corporation, WC Docket Nos. 11-42, 09-197 (Apr. 24, 2013) (describing Telrite's Lifeline outreach activities as including "thousands of broadcast airings of PSAs designed to inform the public of the rules and benefits of the [Lifeline] program.").

¹² Both mobile and brick-and-mortar enrollment locations can be temporary. Just like tents, retail arrangements, including agent distribution arrangements, store leases, kiosk and counter subleases can be of such a limited or unpredictable duration that they, too, can often be described as temporary.

F. ETCs Must Explicitly Prohibit Subscribers from Reselling or Otherwise Transferring Handsets Used to Provide Lifeline Service

The resale or other transfer of handsets used to provide Lifeline services contributes to waste, fraud and abuse when ineligible consumers use the services of eligible subscribers. The Coalition recommends that the Commission expressly ban the resale or transfer of handsets used for Lifeline service during the time the handset is associated with an active Lifeline account. Moreover, ETCs should be required to include in their marketing materials disclosures informing applicants of the prohibition, with few exceptions, on the sale, resale, loan or other transfer of a handset associated with a Lifeline account. The Coalition recognizes the importance of telephone access to low-income consumers and therefore recommends the Commission except the sharing of Lifeline service with other individuals that are part of a subscriber's household, such as a parent's sharing of a handset with a child.

In addition to including disclosures in marketing materials, ETCs should be required to obtain a Lifeline subscriber's certification of understanding that the resale or transfer of a handset associated with Lifeline service,¹³ during the time the handset is associated with a Lifeline account, violates the Commission's rules and is prohibited. Lifeline application forms currently require applicants to certify that the applicant may not resell or transfer Lifeline service. This certification should be amended to state that the resale, sharing or other transfer of handsets actively being used to provide Lifeline services is a violation of Commission rules and will result in de-enrollment from the Lifeline program. Together these reforms should reduce the attractiveness of resold or transferred handsets, thereby limiting the unauthorized receipt or use of Lifeline service by ineligible consumers.

¹³ See 47 C.F.R. § 54.410(d)(1)(vi).

III. ACCESS TO LIVE CUSTOMER SERVICE REPRESENTATIVES ENSURES LIFELINE SUBSCRIBERS ARE ABLE TO COMPLY WITH LIFELINE PROGRAM ELIGIBILITY REQUIREMENTS

An ETC's responsibility for, and contact with, a subscriber should not end with the enrollment process. ETCs must be committed to providing quality customer service that subscribers can access for assistance in continuing to comply with the Lifeline program eligibility requirements. Commission rule 54.202, which requires ETCs to "satisfy applicable consumer protection and service quality standards," reflects the Commission's focus on ensuring subscribers receive quality service.¹⁴ The Coalition recommends that the Commission adopt a requirement that all ETCs make available live customer service representatives for this purpose. In addition, ensuring continued subscriber compliance with Lifeline eligibility requirements includes enabling subscribers to de-enroll at any time without having to provide a reason for the subscriber's decision. Accordingly, the Coalition proposes that all Lifeline providers be required to de-enroll subscribers upon request so that consumers can switch service providers without worry of creating duplicate enrollments.

A. Access to Live Customer Service Representatives Is Essential to Ensuring Subscriber Compliance with the Lifeline Program Eligibility Requirements

Lifeline providers are subject to marketing rules that require ETCs to provide applicants with information regarding different aspects of the Lifeline program. This information includes the program's prohibitions on the transfer of service and the limit to a single discount per household.¹⁵ Providers also must obtain certifications from subscribers that the subscriber will take certain actions, such as notifying the ETC of any address changes or participating in annual eligibility recertifications, to comply with the Lifeline eligibility

¹⁴ See 47 C.F.R. § 54.202(a)(3).

¹⁵ See 47 C.F.R. §54.405(c).

requirements.¹⁶ The Coalition assumes most Lifeline providers do their best to comply with these requirements during the enrollment process; however, like any consumer participating in a special program, it would be foolhardy to expect that a Lifeline subscriber's questions and need for assistance will end with the enrollment process.

Some ETCs recognize that subscribers likely will have questions or need assistance during the time the subscriber obtains service from the ETC and will want to receive answers in a timely manner. Accordingly, these ETCs incur the costs of making live customer service representatives available to answer subscriber questions. The subscribers can call customer service by dialing 611 from their handsets with no minutes used or decremented for the call, or they can call a toll-free number from any phone. Live customer service operators can be reached during convenient hours and days of operation.

By offering live customer service during hours and on days that are accessible for subscribers, regardless of their time zone or work schedule, these ETCs ensure their subscribers are able to utilize and achieve the full benefit of their Lifeline services. Importantly, subscribers are able to obtain timely responses to questions or problems that may impact the subscriber's continued eligibility for participation in the Lifeline program. In addition, by making customer service available, with no reduction in minutes of service, by dialing 611 from the subscriber's handset or by dialing a toll-free number from any other telephone, these ETCs ensure that subscribers will not choose to delay when addressing issues that might render the subscriber ineligible for Lifeline service.

The Coalition recommends that the Commission require all ETCs to provide access to live customer service during reasonable and posted hours. Access to live customer

¹⁶ See 47 C.F.R. §54.410(d)(3).

service is critical, especially for subscribers who need immediate assistance. These subscribers will be dissuaded from seeking assistance if required to leave a message for their provider without any assurance that they will receive a response in a timely manner, if at all. Providing live customer service to subscribers can also reduce the likelihood of waste, fraud and abuse as questions regarding continuing Lifeline eligibility can be addressed quickly instead of being permitted to linger.

B. Subscribers Must be Able to De-Enroll from the Lifeline Program upon Request

Subscribers choose to participate in the Lifeline program and should be able to de-enroll at any time without having to provide a reason or submit any paperwork, which can be difficult for many low-income consumers who do not have ready access to fax machines, scanners or the Internet. The Coalition urges the Commission to require all ETCs to de-enroll subscribers upon request and to complete such de-enrollments within five (5) business days of the request. A subscriber must be permitted to contact his or her provider by telephone to de-enroll and the provider cannot be permitted to require the subscriber to provide any documentation or reason for the de-enrollment. Of course, written de-enrollments would always be acceptable as well.

Some ETCs already have implemented a process whereby if a customer calls and states that he or she is not eligible for Lifeline-supported service or wishes to de-enroll for any reason, the ETC will de-enroll the customer within five business days of the subscriber's request. Customers can make this request by calling the ETC's customer service number and will not be required to submit any documents.

Requiring all ETCs to de-enroll subscribers upon request and without requiring documentation will reduce waste, fraud and abuse in the Lifeline program. A subscriber who

realizes he or she no longer qualifies for Lifeline service – or knows he or she never actually qualified – may be hesitant to request to de-enroll if the subscriber will be required to provide an explanation or documentation supporting the subscriber’s request. Enabling subscribers to de-enroll with no-questions-asked will allay fears that the subscriber immediately will be “caught” and may actually encourage de-enrollments, thereby reducing the waste, fraud or abuse that could otherwise result if ineligible subscribers fear self-identifying and instead remain in the Lifeline program.

All ETCs must be required to comply with this de-enrollment process. Otherwise those ETCs that require subscribers to provide a reason or documentation to support a de-enrollment request will retain, and receive reimbursement, for subscribers that no longer want or qualify for the service but who do not want to have to complete a difficult de-enrollment process. Moreover, ETCs with more burdensome de-enrollment procedures will be advantaged in comparison to those ETCs that do follow the proposed de-enrollment requirement and will contribute to waste in the Lifeline program by having procedures that discourage de-enrollment.

IV. ALL ETCs SHOULD BE SUBJECT TO REGULAR LIFELINE COMPLIANCE AUDITS AND ENHANCED REPORTING REQUIREMENTS

The current Commission Lifeline compliance audit regime attempts to equitably assess compliance and efficiently advance the Commission’s goals of preventing waste, fraud and abuse of the program. However, the current audit program may leave certain entities outside the scope of regular audits. Although all ETCs are obligated to comply with the Lifeline program requirements, the existing two-track audit regime, which varies significantly in scope and frequency depending on when the ETC was first approved to provide Lifeline services or the

amount of support received from the Lifeline fund,¹⁷ may not accurately identify and ensure correction of noncompliant practices. A noncompliant ETC, of whatever size or vintage, can cause significant damage to the public perception of the integrity of the fund and constitute a drain on the funds available to meet the needs of low-income consumers. Accordingly, the Coalition recommends that the Commission subject all Lifeline providers to regular audit requirements.

In addition, ETCs should be required to track and report the results of the proposed new requirement for employee review and approval of all enrollments. Atypical results could be examined during audits and the Commission and the industry could develop best practices based on trends and results reported.

A. All ETCs Should Be Subject to Comprehensive Compliance Audits on a Periodic Basis

The current Lifeline compliance audit regime subjects all ETCs to limited, periodic audits by the Universal Service Administrative Company (“USAC”), but ETCs receiving at least \$5 million in support from the fund are now subject to additional, and more stringent, independent auditor requirements.¹⁸ The integrity and perception of the Lifeline program are improved when *all* providers comply with the program requirements. No ETCs should be disadvantaged by being held to a higher standard of compliance than other ETCs. Accordingly, the Coalition urges the Commission to hold all ETCs accountable to the same compliance standards and regular auditing requirements.

Under the existing Lifeline audit regime, all ETCs are subject to periodic audits under USAC’s Beneficiary/Contributor Compliance Audit Program (“BCAP”) and Payment

¹⁷ See, e.g., 47 C.F.R. § 54.420(a).

¹⁸ See 47 C.F.R. § 54.420(a). See also 2012 Lifeline Reform Order, ¶¶ 291-292.

Quality Assurance (“PQA”) program.¹⁹ The BCAP reviews are often randomly selected and assess a carrier’s compliance with obligations such as subscriber counts, carrier and subscriber eligibility to receive Lifeline program support, and the adequacy of advertising efforts.²⁰ The PQA program selects ETCs for review of reimbursement requests and requires ETCs to provide documentation related to issues such as subscriber listings, subscriber enrollment forms evidencing eligibility for program participation and “one per household” forms.²¹

ETCs that activated their first study area code in 2011, as well as Lifeline providers that activated a new study area code to provide Lifeline service for the first time, are subject to a newly adopted audit requirement.²² These audits are designed to assess the ETC’s compliance with the Lifeline rules and the ETC’s internal controls addressing these requirements, but the audits are somewhat limited in scope as they generally cover only a single study area in the ETC’s designated service area.²³ Accordingly, none of these audit programs assess an ETC’s compliance with the full panoply of Lifeline program requirements.

In contrast to the limited audits described above, as a result of the *2012 Lifeline Reform Order*, ETCs receiving at least \$5 million annually in support from the Lifeline fund are now subject to stringent and comprehensive independent audit requirements.²⁴ These biennial audits address the ETC’s overall compliance programs and internal controls to determine compliance with the Lifeline program rules on a nationwide basis and require the ETC to hire an

¹⁹ The *2012 Lifeline Reform Order* directed USAC to review and revise the BCAP and PQA programs to reflect the new Lifeline reforms and submit a report to the Commission, within 60 days of the effective date of the Order, proposing changes to the programs. *2012 Lifeline Reform Order*, ¶ 286.

²⁰ See USAC, Program Integrity: BCAP at <http://www.usac.org/li/about/program-integrity/bcap.aspx>.

²¹ See USAC, Program Integrity: PQA at <http://www.usac.org/li/about/program-integrity/pqa.aspx>.

²² See *2012 Lifeline Reform Order*, ¶¶ 283, 286-290.

²³ See 47 C.F.R. § 54.420(b) and *2012 Lifeline Reform Order*, ¶ 289.

²⁴ See, e.g., *2012 Lifeline Reform Order*, ¶ 291 and 47 C.F.R. § 54.420(a).

independent auditor to conduct the audit.²⁵ The audit reports must be submitted to the Commission and are not considered confidential.²⁶

The success and perceived integrity of the Lifeline program is dependent on compliance by all ETCs with the program rules and audits of that compliance should not vary based on the amount of support received by the ETC or when the ETC first initiated service. All ETCs should be held to the same compliance standard. The risk of harm to the Lifeline program from the actions of numerous smaller ETCs not subject to the comprehensive audits can be just as significant as the damage caused by a single larger ETC that is subject to the audit. The main difference is that the damage done by the smaller ETCs may never be discovered depending on the locations and practices covered by the limited audits.

While we do not propose that the Commission impose the full burdens of an independent audit on smaller ETCs, we do propose that the Commission direct USAC to conduct, on no less than a biennial basis, an in-depth validation (“IDV”) of any ETC not subject to the independent auditor requirement. This modest change will ensure that no ETC falls through the cracks or gets overlooked, and that every ETC is subject to regular auditing requirements. This new combination of random and routine auditing requirements should better promote compliance and can help the Commission further demonstrate that it has firm control over the program and the ETCs participating in it.

B. All ETCs Should Be Required to Track and Report Employee Enrollment Rejection and Approval Rates Annually

As discussed above, the Coalition requests that the Commission require all ETCs to have an employee review and approve (or reject) all Lifeline enrollments. In conjunction with

²⁵ See 47 C.F.R. § 54.420(a); see also 2012 Lifeline Reform Order, ¶ 292.

²⁶ See 47 C.F.R. § 54.420(a)(4).

this requirement, the Coalition also requests that the Commission require ETCs to report applicant approval and rejection rates annually on Form 555 reports. Reporting such statistics serves two purposes. First, these reports, in combination with retained copies of proof of eligibility documents, enable ETCs to illustrate that some applicants were rejected, thereby confirming an ETC's compliance with the Lifeline enrollment requirements. Second, the reports will allow atypical results to be more easily detected, audited and investigated. An ETC with extremely low rejection rates may not be detecting anomalies that other ETCs detect, or there may be some other factor contributing to a low rejection rate. Moreover, these statistics will provide objective information that can be used to educate the public or refute erroneous reports regarding ETC compliance with Lifeline enrollment procedures.

V. CONCLUSION

For the reasons discussed above, the Coalition respectfully requests the Commission initiate a rulemaking proceeding to further reform the Lifeline program to reflect the Coalition's proposed rule revisions regarding enrollment processes, availability of customer service, de-enrollment, compliance audits and enhanced reporting requirements.

Respectfully submitted,

LIFELINE REFORM 2.0 COALITION

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