

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of )
AT&T Services, Inc. ) File No.: EB-IHD-14-00017387
Acct. No.: 201532080012
FRN No. 0005193701
BellSouth Telecommunications, LLC ) FRN No. 0020882668
The Ohio Bell Telephone Company ) FRN No. 0002946986
Southwestern Bell Telephone Company ) FRN No. 0016627473
Nevada Bell Telephone Company ) FRN No. 0001552173
Illinois Bell Telephone Company ) FRN No. 0002860856
Indiana Bell Telephone Company, Incorporated ) FRN No. 0002904654
Michigan Bell Telephone Company ) FRN No. 0002776771
Wisconsin Bell, Inc. ) FRN No. 0002716561

ORDER

Adopted: April 29, 2015

Released: April 29, 2015

By the Chief, Enforcement Bureau:

1. The Enforcement Bureau (Bureau) of the Federal Communications Commission has entered into a Consent Decree to resolve its investigation into whether AT&T Services, Inc. (AT&T) and its eight above-captioned affiliates (collectively, the AT&T Lifeline Affiliates or Affiliates), failed to timely de-enroll Lifeline subscribers who did not respond to the AT&T Lifeline Affiliates' annual eligibility recertification requests in 2012 and 2013, and whether the AT&T Lifeline Affiliates obtained and maintained current and complete certifications of eligibility from all of their Lifeline customers. The rules governing Lifeline eligibility recertification, de-enrollment, and recordkeeping encourage consumer accountability and ensure that universal service support is not directed toward consumers who may be ineligible for Lifeline, thereby protecting the integrity of this important Universal Service Fund (USF) program. To settle this matter, AT&T and the AT&T Lifeline Affiliates admit that they failed to timely de-enroll subscribers who did not respond to their annual re-certification requests in 2012 and 2013; they failed to keep adequate certification records; and AT&T and the AT&T Lifeline Affiliates agree to implement a compliance plan and pay a civil penalty totaling \$6,900,000.

2. After reviewing the terms of the Consent Decree and evaluating the facts before us, we find that the public interest would be served by adopting the Consent Decree and terminating the referenced investigation regarding AT&T and the AT&T Lifeline Affiliates' compliance with the

Commission's Rules and order mandating de-enrollment of Lifeline customers within five calendar days of failing to respond within 30 days after a recertification request, as prescribed by Section 54.405(e)(4) of the Rules,<sup>1</sup> as well as obtaining and maintaining Lifeline customer certifications as required by Sections 54.410 and 54.417(a) of the Rules.<sup>2</sup>

3. In the absence of material new evidence relating to this matter, we conclude that our investigation raises no substantial or material questions of fact as to whether AT&T and the AT&T Lifeline Affiliates possess the basic qualifications, including those related to character, to hold or obtain any Commission license or authorization.

4. Accordingly, **IT IS ORDERED** that, pursuant to Section 4(i) of the Act<sup>3</sup> and the authority delegated by Sections 0.111 and 0.311 of the Rules,<sup>4</sup> the attached Consent Decree **IS ADOPTED** and its terms incorporated by reference.

5. **IT IS FURTHER ORDERED** that the above-captioned matter **IS TERMINATED**.

6. **IT IS FURTHER ORDERED** that a copy of this Order and Consent Decree shall be sent by first class mail and certified mail, return receipt requested, to Jacqueline Flemming, Assistant Vice President, Federal Regulatory, AT&T Services, Inc., 1120 20th Street, N.W., Suite 1000, Washington, DC 20036.

FEDERAL COMMUNICATIONS COMMISSION

Travis LeBlanc  
Chief  
Enforcement Bureau

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<sup>1</sup> See 47 C.F.R. §§ 54.405(e)(4); 54.410; *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2012) (*Lifeline Reform Order*).

<sup>2</sup> 47 C.F.R. §§ 54.410, 54.417(a).

<sup>3</sup> 47 U.S.C. § 154(i).

<sup>4</sup> 47 C.F.R. §§ 0.111, 0.311.

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CONSENT DECREE

1. The Enforcement Bureau (Bureau) of the Federal Communications Commission, AT&T Services, Inc. (AT&T) and its eight above-captioned affiliates, (collectively, the AT&T Lifeline Affiliates or Affiliates), by their authorized representatives, hereby enter into this Consent Decree for the purpose of terminating the Bureau’s investigation into whether the AT&T Lifeline Affiliates violated Sections 54.405, 54.410, and 54.417 of the Commission’s rules (Rules) and its order governing the provision of Lifeline service to low-income customers.1 The Bureau’s investigation focused on whether the AT&T Lifeline Affiliates failed to de-enroll within the requisite five days a number of Lifeline customers after they failed to respond to the Affiliates’ recertification requests within the 30-day period mandated by Section 54.405(e)(4) of the Rules and whether the AT&T Lifeline Affiliates obtained and maintained current and complete certifications of eligibility from all of their Lifeline customers as required by Sections 54.410 and 54.417(a) of the Rules.2 The Lifeline discounts that the AT&T Lifeline Affiliates provided to these customers were all for traditional landline service; they were not provided for mobile service.

1 47 C.F.R. §§ 54.405, 54.410, 54.417; Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2012) (Lifeline Reform Order).

2 47 C.F.R. §§ 54.405(e)(4), 54.410, 54.417(a).

**I. DEFINITIONS**

2. For the purposes of this Consent Decree, the following definitions shall apply:
- (a) “Act” means the Communications Act of 1934, as amended.<sup>3</sup>
  - (b) “Adopting Order” means an order of the Bureau adopting the terms of this Consent Decree without change, addition, deletion, or modification.
  - (c) “AT&T” or “Company” means AT&T Services, Inc.
  - (d) “AT&T Lifeline Affiliates” means BellSouth Telecommunications, LLC, The Ohio Bell Telephone Company, Southwestern Bell Telephone Company, Nevada Bell Telephone Company, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, and Wisconsin Bell, Inc., and their affiliates, subsidiaries, predecessors-in-interest, and successors-in-interest.
  - (e) “Bureau” means the Enforcement Bureau of the Federal Communications Commission.
  - (f) “Commission” and “FCC” mean the Federal Communications Commission and all of its bureaus and offices.
  - (g) “Communications Laws” means collectively, the Act, the Rules, and the published and promulgated orders and decisions of the Commission to which the AT&T Lifeline Affiliates are subject by virtue of their business activities, including but not limited to the Lifeline De-Enrollment Rules.
  - (h) “Compliance Plan” means the compliance obligations, program, and procedures described in this Consent Decree at paragraph 17.
  - (i) “Covered Employees” means all employees and agents of AT&T and the AT&T Lifeline Affiliates who perform, supervise, oversee, or manage the performance of, duties that relate to the AT&T Lifeline Affiliates’ Lifeline responsibilities under the Communications Laws, including the Lifeline De-Enrollment Rules. This term includes employees of any vendor(s) performing work related to the Lifeline De-Enrollment Rules on behalf of the AT&T Lifeline Affiliates.
  - (j) “Effective Date” means the date by which both the Bureau and AT&T have signed the Consent Decree.
  - (k) “ETC” means an eligible telecommunications carrier designated under, or operating pursuant to, Section 214(e) of the Communications Act, as amended, 47 U.S.C. § 214(e), as eligible to offer and receive support for one or more services that are supported by federal universal service support mechanisms pursuant to Section 254(e) of the Act, 47 U.S.C. § 254(e).
  - (l) “Investigation” means the investigation commenced by the Bureau in File No. EB-IHD-14-00017387 regarding whether the AT&T Lifeline Affiliates violated the Lifeline Rules. The Investigation concerned only traditional landline services provided by the AT&T Lifeline Affiliates, and did not include mobile services or services provided by other related AT&T companies.
  - (m) “Lifeline De-Enrollment Rules” means Sections 54.405 and 54.410 of the Rules, 47 C.F.R. §§ 54.405, 54.410; *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109, Report and

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<sup>3</sup> 47 U.S.C. § 151 *et seq.*

Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656 (2012) (*Lifeline Reform Order*).

- (n) “LOI” means the Letter of Inquiry issued by the Bureau to AT&T on December 22, 2014 in File No. EB-IHD-14-00017387 seeking information and documents relating to whether the AT&T Lifeline Affiliates violated the Lifeline Rules.
- (o) “Operating Procedures” means the standard internal operating procedures and compliance policies established by AT&T to implement the Compliance Plan.
- (p) “Parties” means AT&T, the AT&T Lifeline Affiliates and the Bureau, each of which is a “Party.”
- (q) “Rules” means the Commission’s regulations found in Title 47 of the Code of Federal Regulations.
- (r) “USAC” means the Universal Service Administrative Company.

## II. BACKGROUND

3. *Lifeline Service.* Lifeline is a federal Universal Service Fund (USF or Fund) program that helps ensure qualifying consumers have the opportunities and security that phone service brings, including being able to connect to jobs, family members, and emergency services.<sup>4</sup> ETCs designated pursuant to the Communications Act of 1934, as amended (Act), provide Lifeline service to consumers.<sup>5</sup> Under the Lifeline program rules, ETCs provide discounted service to qualifying consumers and may seek and receive reimbursement from the USF for the revenue they forgo as a result of the discount.<sup>6</sup>

4. The Commission’s Lifeline rules establish explicit requirements that ETCs must meet to receive federal Lifeline support.<sup>7</sup> Section 54.407(a) of the Rules requires that Lifeline support “shall be provided directly to an eligible telecommunications carrier, based on the number of actual qualifying low-income consumers it serves.”<sup>8</sup> Pursuant to Section 54.407(b), an ETC may receive Lifeline support only for “each qualifying low-income consumer served.”<sup>9</sup> A low-income consumer is “qualifying” only if he or she meets the eligibility criteria set forth in Section 54.409.<sup>10</sup> Section 54.410(a) of the Commission’s rules requires that ETCs have procedures in place “for ensuring that their Lifeline subscribers are eligible to receive Lifeline services,” Section 54.410(b) prohibits ETCs from seeking reimbursement for a particular subscriber unless the ETC has confirmed the subscriber’s eligibility, and Section 54.417(a) requires ETCs to maintain records to document compliance with all Commission and state Lifeline requirements.<sup>11</sup>

5. ETCs that provide qualifying low-income consumers with Lifeline discounts can file an FCC Form 497 with USAC to request reimbursement for providing service at the discounted rates. An

<sup>4</sup> See *Lifeline Reform Order*, 27 FCC Rcd at 6662–67, paras. 11–18; see also 47 C.F.R. §§ 54.400–54.422.

<sup>5</sup> 47 U.S.C. § 254(e) (providing that “only an eligible telecommunications carrier designated under section 214(e) of this title shall be eligible to receive specific Federal universal service support”); *id.* § 214(e) (prescribing the method by which carriers are designated as ETCs).

<sup>6</sup> 47 C.F.R. § 54.403(a). An ETC may receive \$9.25 per month for each qualifying low-income consumer receiving Lifeline service, and up to an additional \$25 per month if the qualifying low-income consumer resides on Tribal lands. See *id.*

<sup>7</sup> See 47 C.F.R. §§ 54.400–54.422.

<sup>8</sup> *Id.* § 54.407(a).

<sup>9</sup> *Id.* § 54.407(b).

<sup>10</sup> 47 C.F.R. § 54.409(c); see also *id.* § 54.400(a) (defining “qualifying low income subscriber”).

<sup>11</sup> See *id.* §§ 54.410(a)–(b), 54.417(a).

ETC's FCC Form 497 documents the number of qualifying low-income customers served and the total amount of Lifeline support claimed by the ETC during the specified time period. Section 54.407(d) provides that an ETC may receive reimbursement from the Fund, however, only if it certifies as part of its reimbursement request that it is in compliance with the Lifeline rules.<sup>12</sup> An ETC may revise its Form 497 data within 12 months after the data are submitted.<sup>13</sup>

6. Section 54.410 of the Rules requires that all Lifeline subscribers certify their eligibility upon enrollment in Lifeline and annually thereafter.<sup>14</sup> The certification rules are designed to encourage consumer accountability and ensure that universal service support is not directed toward consumers who may not be eligible for Lifeline.<sup>15</sup> ETCs were required to perform the initial annual re-certification for customers served beginning in June 2012, and to follow de-enrollment procedures set forth in Section 54.405 of the Rules for any subscribers who failed to respond to the ETC's re-certification efforts.<sup>16</sup> Prior to de-enrolling a subscriber who fails to re-certify, the ETC must provide 30-days' notice. The ETC must de-enroll the subscriber from Lifeline within five business days after the expiration of the subscriber's time to respond to the re-certification efforts.<sup>17</sup>

7. Section 54.417 of the Rules requires ETCs to maintain records documenting compliance with applicable federal and state requirements governing the Lifeline program for the three full preceding calendar years and provide that documentation to the Commission or USAC upon request.<sup>18</sup> In addition, ETCs must maintain initial customer eligibility certification forms and annual re-certification forms for as long as the subscriber receives Lifeline service from that ETC.<sup>19</sup>

8. *AT&T Inc.* AT&T Inc. is a Delaware corporation headquartered in Dallas, Texas, and is the holding company of the AT&T Lifeline Affiliates, which operate as ETCs<sup>20</sup> in the following jurisdictions: Alabama, Arkansas, Florida, Georgia, Indiana, Illinois, Kansas, Kentucky, Louisiana, Michigan, Missouri, Mississippi, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, and Wisconsin.<sup>21</sup> AT&T Services, Inc., which is a subsidiary of AT&T Inc., provides personnel support, including legal services, to the AT&T Lifeline Affiliates.<sup>22</sup>

<sup>12</sup> See 47 C.F.R. § 54.407(d).

<sup>13</sup> See *Lifeline Reform Order*, 27 FCC Rcd at 6788, para. 305.

<sup>14</sup> See 47 C.F.R. § 54.410(c) and (f).

<sup>15</sup> See *Lifeline Reform Order*, 27 FCC Rcd at 6697-98, paras. 91-92.

<sup>16</sup> See 47 C.F.R. § 54.405(e)(4).

<sup>17</sup> *Id.*

<sup>18</sup> 47 C.F.R. § 54.417(a).

<sup>19</sup> *Id.* See also 47 C.F.R. § 54.410(d) and (f) (setting forth eligibility certification and annual recertification requirements).

<sup>20</sup> AT&T provides Lifeline-supported services through other affiliates that are ETCs that are not at issue in this Consent Decree.

<sup>21</sup> See Alabama Pub. Service Comm., Docket No. 25980 (granted Dec. 18, 1997); Arkansas Pub. Service Comm., Docket No. 97-326-U, Order No. 3 (granted Dec. 2, 1997); Florida Pub. Service Comm., Docket No. 970644-TP, Order No. PSC-97-1262-FOF-TP (granted Oct. 14, 1997); Georgia Pub. Service Comm., Docket No. 8259-U, Doc. 19955 (granted Dec. 18, 1997); Indiana Util. Reg. Comm., Cause No. 41052-ETC-39 (granted Dec. 23, 1997); Illinois Commerce Comm., File No. 97-0507 (granted Dec. 17, 1997); Kansas State Corp. Comm., Docket No. 98-GIMT-241-GIT (granted Dec. 5, 1997); Kentucky Pub. Service Comm., Case No. 360 (granted Nov. 26, 1997); Louisiana Pub. Service Comm., Order No. U-22770 (granted Nov. 6, 1997); Michigan Pub. Service Comm., Case No. U-11547 (granted Nov. 25, 1997); Missouri Pub. Service Comm., Case No. TO-98-191 (Dec. 23, 1997); Mississippi Pub. Service Comm., Docket No. 97-AD-0552 (granted Dec. 16, 1997); Nevada Pub. Util. Comm., Docket No. 98-9031 (granted Dec. 1, 1998); North Carolina Pub. Service Comm., Docket No. P-100, Sub. 133c (granted Dec. 15, 1997); Ohio Pub. Util. Comm., File No. 97-632-TP-COI (granted Dec. 18, 1997); Oklahoma Corp.

(continued....)

9. In October 2013, USAC began an audit of one of the AT&T Lifeline Affiliates. In early 2014, AT&T and the AT&T Lifeline Affiliates discovered that a number of Lifeline subscribers had not been timely de-enrolled following the annual Lifeline Program recertification process for 2012 and 2013. The majority of the failures concerned de-enrollments that were not performed within the required 35 days. Subscribers were inadvertently given one extra month of Lifeline support, and the AT&T Lifeline Affiliates inappropriately claimed reimbursement for this extra month. In the course of investigating this issue, AT&T discovered other de-enrollment and record keeping issues. In early April 2014, AT&T disclosed these issues to the Wireline Competition Bureau and USAC. Between March and May 2014, the AT&T Lifeline Affiliates also filed revised FCC Forms 497 with USAC and fully reimbursed the Fund for all the Lifeline subscribers who were not timely de-enrolled, or for whom adequate records were not kept.

10. The Bureau issued a letter of inquiry (LOI) to AT&T, requesting information and documents relating to the Company's compliance with the Lifeline Rules.<sup>23</sup> AT&T responded to the LOI on behalf of the AT&T Lifeline Affiliates<sup>24</sup> and later submitted supplemental responses.<sup>25</sup>

### III. TERMS OF AGREEMENT

11. **Adopting Order.** The provisions of this Consent Decree shall be incorporated by the Bureau in an Adopting Order without change, addition, deletion, or modification.

12. **Jurisdiction.** AT&T and the AT&T Lifeline Affiliates agree that the Bureau has jurisdiction over them and the matters contained in this Consent Decree and has the authority to enter into and adopt this Consent Decree.

13. **Effective Date; Violations.** The Parties agree that this Consent Decree shall become effective on the Effective Date as defined herein. As of the Effective Date, the Parties agree that this Consent Decree shall have the same force and effect as any other order of the Commission.

14. **Termination of Investigation.** In express reliance on the covenants and representations in this Consent Decree and to avoid further expenditure of public resources, the Bureau agrees to terminate the Investigation. In consideration for the termination of the Investigation, AT&T and each of

(Continued from previous page) \_\_\_\_\_  
Comm., Cause No. RM-950000019 (granted March 18, 1996); South Carolina Pub. Service Comm., Docket No. 97-239-C, Order No. 97-958 (Nov. 24, 1997); Tennessee Reg. Authority, Docket No. 97-00888 (granted Dec. 17, 1997); Wisconsin Pub. Service Comm., File No. 05-TI-162 (granted Dec. 23, 1997).

<sup>22</sup> See Letter from Cathy Carpino, Counsel for AT&T Services, Inc. on behalf of BellSouth Telecommunications, LLC, The Ohio Bell Telephone Company, Southwestern Bell Telephone Company, Nevada Bell Telephone Company, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Michigan Bell Telephone Company, and Wisconsin Bell, Inc., to Jeffrey J. Gee and Mindy Littell, FCC at Response to Inquiries 1 and 10 (Jan. 21, 2015) (on file in File No. EB-IHD-14-00017387) (LOI Response).

<sup>23</sup> See Letter from Pamela S. Kane, Deputy Chief, Investigations and Hearings Division, FCC Enforcement Bureau, to Robert W. Quinn and Mary L. Henze, AT&T Services, Inc. (Dec. 22, 2014) (on file in EB-IHD-14-00017387) (LOI).

<sup>24</sup> LOI Response.

<sup>25</sup> Letter from Cathy Carpino, Counsel for AT&T Services, Inc. on behalf of BellSouth Telecommunications, LLC, The Ohio Bell Telephone Company, Southwestern Bell Telephone Company, Nevada Bell Telephone Company, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, and Wisconsin Bell, Inc., to Jeffrey J. Gee and Mindy Littell, FCC (Jan. 23, 2015) (on file in File No. EB-IHD-14-00017387); Letter from Cathy Carpino, Counsel for AT&T Services, Inc. on behalf of BellSouth Telecommunications, LLC, The Ohio Bell Telephone Company, Southwestern Bell Telephone Company, Nevada Bell Telephone Company, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, and Wisconsin Bell, Inc., to Jeffrey J. Gee and Mindy Littell, FCC (April 6, 2015) (on file in File No. EB-IHD-14-00017387).

the AT&T Lifeline Affiliates agree to the terms, conditions, and procedures contained herein. The Bureau further agrees that, in the absence of new material evidence, it will not use the facts developed in the Investigation through the Effective Date, or the existence of this Consent Decree, to institute, on its own motion, any new proceeding, formal or informal, or take any action on its own motion against AT&T or the AT&T Lifeline Affiliates concerning the matters that were the subject of the Investigation. The Bureau also agrees that, in the absence of new material evidence, it will not use the facts developed in the Investigation through the Effective Date, or the existence of this Consent Decree, to institute on its own motion any proceeding, formal or informal, or take any action on its own motion against AT&T or the AT&T Lifeline Affiliates with respect to their basic qualifications, including their character qualifications, to be Commission licensees or hold Commission licenses or authorizations. New material evidence can potentially include, among other things, any information required to be developed or submitted pursuant to this Consent Decree, provided this new evidence concerns events after the Effective Date.

15. **Admission of Liability.** For the purpose of this Consent Decree and for Commission civil enforcement purposes only, and in express reliance on the provisions of paragraph 14, AT&T admits that the AT&T Lifeline Affiliates' failure to timely de-enroll subscribers who failed to respond to the annual re-certification requests in 2012 and 2013 violated Sections 54.405 and 54.410 of the Rules, and that the AT&T Lifeline Affiliates' failure to keep adequate records violated Section 54.417(a) of the Rules. AT&T has reimbursed USAC and there is no evidence that customers were charged inappropriately.

16. **Compliance Officer.** Within thirty (30) calendar days after the Effective Date, AT&T shall designate a senior corporate manager with the requisite corporate and organizational authority to serve as a Compliance Officer and to discharge the duties set forth below. The person designated as the Compliance Officer for AT&T shall be part of AT&T's Chief Compliance Office and shall be responsible for overall AT&T compliance with the terms and conditions of the Compliance Plan and this Consent Decree, as well as for developing, implementing, and administering the Compliance Plan and ensuring that each AT&T Lifeline Affiliate complies with the terms and conditions of the Compliance Plan and this Consent Decree. The Compliance Officer may use the resources of legal counsel, and/or of managers reporting to the Compliance Officer, that have specific knowledge of the Lifeline De-Enrollment Rules to supplement his or her general knowledge of the Communications Laws necessary to discharge his/her duties under this Consent Decree.

17. **Compliance Plan.** For purposes of settling the matters set forth herein, AT&T shall within seventy-five (75) calendar days after the Effective Date, develop and implement a Compliance Plan designed to ensure each AT&T Lifeline Affiliate's future compliance with the Commission's Lifeline Rules and with the terms and conditions of this Consent Decree. AT&T shall maintain oversight of the AT&T Lifeline Affiliates' compliance with the Lifeline De-Enrollment Rules through a centralized Corporate Compliance Organization, and any vendor that the AT&T Lifeline Affiliates use to perform tasks associated with compliance with the Lifeline De-Enrollment Rules will be subject to that group's oversight. With respect to the Lifeline De-Enrollment Rules, AT&T will implement, at a minimum, the following procedures:

- (a) **Operating Procedures.** Within thirty (30) calendar days after the Effective Date, AT&T shall establish Operating Procedures that all Covered Employees must follow to help ensure that each AT&T Lifeline Affiliate complies with the Lifeline De-Enrollment Rules, as well as a Compliance Checklist that describes the steps that a Covered Employee must follow to ensure compliance with the Lifeline De-Enrollment Rules. The Operating Procedures and Compliance Checklist shall include internal procedures and policies specifically designed to ensure compliance with the following requirements:

- i. Subscribers who fail to respond to a request for recertification are de-enrolled within five business days following the mandatory 30-day period following the recertification request, pursuant to Section 54.405(e)(4).
- ii. The AT&T Lifeline Affiliate must not seek reimbursement for providing Lifeline service to a subscriber unless the ETC has received a certification of eligibility from the subscriber that complies with the requirements set forth in Section 54.410(d) of the Rules and has confirmed the subscriber's eligibility using the processes set forth in Section 54.410.
- iii. For purposes of the Form 497 claim process and prior to submitting a Form 497 claim for reimbursement: AT&T must compare and reconcile each month's billing data with that month's subscriber records to confirm their consistency for reimbursement; and AT&T will adopt procedures that provide checks and balances on billing and subscriber data for ongoing consistency, and describe these checks and balances in its Compliance Reports.
- iv. Excluding the one month per year when AT&T performs the annual examination described below in subsection v., AT&T must examine, by month, a statistically significant sample of eligibility records for new Lifeline subscribers of each AT&T Lifeline Affiliate to:
  1. confirm it has a complete and current eligibility certification for each subscriber;
  2. perform any required de-enrollments;
  3. calculate an error rate reflecting a 95% confidence interval based on any errors discovered in the monthly analysis described in steps 1-2 ("monthly error rate"). Calculate a monthly weighted average error rate based on the monthly error rate and the yearly error rate discussed below in subsection v.
- v. Once a year, AT&T must examine a statistically significant sample of eligibility records for the existing Lifeline subscribers of each AT&T Lifeline Affiliate to:
  1. confirm it has a complete and current eligibility certification for each subscriber;
  2. perform any required de-enrollments not previously performed;
  3. calculate a yearly error rate reflecting a 95% confidence interval based on any errors discovered in the annual analysis described in steps 1-2.
- vi. In the event AT&T discovers any errors through the processes described above, AT&T shall apply the upper limit of the yearly error rate (in the month in which it does the annual analysis) or the weighted monthly average error rate (for every other month) as calculated in subsections iv. and v., to the total number of retail subscribers claimed for reimbursement on its Form 497 claims, reducing the total retail claims for each AT&T Lifeline Affiliate by the respective error rate.
- vii. AT&T will notify the Bureau staff identified in paragraph 18 of the AT&T Lifeline Affiliates' monthly, yearly, and monthly weighted average error rates at the same time that it notifies USAC and/or files any Form 497 requesting reimbursement.

- viii. To the extent AT&T uses a third-party or parties for verifying, maintaining, or updating subscriber information, providing records management and storage, or processing enrollments or de-enrollments, AT&T will establish oversight procedures, including regular compliance checks, to ensure compliance with all applicable Lifeline requirements and the terms of this Consent Decree. AT&T will describe these compliance checks in its Compliance Reports
- (b) **Compliance Manual.** Within seventy-five (75) calendar days after the Effective Date, the Compliance Officer shall develop and distribute a Compliance Manual to all Covered Employees. The Compliance Manual shall explain the Lifeline De-Enrollment Rules and set forth the Operating Procedures that Covered Employees shall follow to help ensure each AT&T Lifeline Affiliate's compliance with the Lifeline De-Enrollment Rules. AT&T shall periodically review and revise the Compliance Manual as necessary to ensure that the information set forth therein remains current and accurate. Each AT&T Lifeline Affiliate shall promptly distribute any revisions to the Compliance Manual to all Covered Employees.
- (c) **Compliance Training Program.** AT&T shall establish and implement a Compliance Training Program on compliance with the Lifeline De-Enrollment Rules and the Operating Procedures. As part of the Compliance Training Program, Covered Employees shall be advised of AT&T's obligation to report any noncompliance with the Lifeline De-Enrollment Rules under paragraph 18 of this Consent Decree and shall be instructed on how to disclose noncompliance to the Compliance Officer. All Covered Employees shall be trained pursuant to the Compliance Training Program within seventy five (75) calendar days as to AT&T Covered Employees, and within ninety (90) days as to vendor Covered Employees, after the Effective Date, except that any person who becomes a Covered Employee at any time after the initial Compliance Training Program shall be trained within thirty (30) calendar days after the date such person becomes a Covered Employee. AT&T shall repeat compliance training on an annual basis, and shall periodically review and revise the Compliance Training Program as necessary to ensure that it remains current and complete and to enhance its effectiveness.
18. **Reporting Noncompliance.** AT&T shall report any material noncompliance with the Lifeline De-Enrollment Rules and with the terms and conditions of this Consent Decree within fifteen (15) calendar days after discovery of such noncompliance. AT&T shall file a report within forty-five (45) days including a detailed explanation of: (i) each instance of material noncompliance; (ii) the steps that AT&T has taken or will take to remedy such material noncompliance; (iii) the schedule on which such remedial actions will be taken; and (iv) the steps that AT&T has taken or will take to prevent the recurrence of any such material noncompliance. All reports of material noncompliance shall be submitted to the Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, SW, Room 4-C224, Washington, DC 20554, with a copy submitted electronically to Jeffrey.Gee@fcc.gov and Mindy.Littell@fcc.gov.
19. **Compliance Reports.** AT&T shall file compliance reports with the Commission ninety (90) calendar days after the Effective Date, twelve (12) months after the Effective Date, twenty-four (24) months after the Effective Date, and thirty-six (36) months after the Effective Date.
- (a) Each Compliance Report shall include a detailed description of AT&T's efforts during the relevant period to comply with the terms and conditions of this Consent Decree and the Lifeline De-Enrollment Rules. In addition, each Compliance Report shall include a certification by the Compliance Officer, as an agent of and on behalf of each of the AT&T Lifeline Affiliates, stating that the Compliance Officer has personal knowledge that AT&T: (i) has established and implemented the

Compliance Plan; (ii) has utilized the Operating Procedures since the implementation of the Compliance Plan; and (iii) is not aware of any instances of material noncompliance with the terms and conditions of this Consent Decree, including the reporting obligations set forth in paragraph 18 of this Consent Decree.

- (b) The Compliance Officer's certification shall be accompanied by a statement explaining the basis for such certification and shall comply with Section 1.16 of the Rules and be subscribed to as true under penalty of perjury in substantially the form set forth therein.<sup>26</sup>
- (c) If the Compliance Officer cannot provide the requisite certification, the Compliance Officer, as an agent of and on behalf of each of the AT&T Lifeline Affiliates, shall provide the Commission with a detailed explanation of the reason(s) why and describe fully: (i) each instance of noncompliance; (ii) the steps that AT&T has taken or will take to remedy such noncompliance, including the schedule on which proposed remedial actions will be taken; and (iii) the steps that AT&T has taken or will take to prevent the recurrence of any such noncompliance, including the schedule on which such preventive action will be taken.
- (d) All Compliance Reports shall be submitted to the Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, SW, Room 4-C224, Washington, DC 20554, with a copy submitted electronically to Jeffrey.Gee@fcc.gov and Mindy.Littell@fcc.gov.

20. **Termination Date.** Unless stated otherwise, the requirements set forth in paragraphs 16 through 19 of this Consent Decree shall expire thirty-six (36) months after the Effective Date.

21. **Section 208 Complaints; Subsequent Investigations.** Nothing in this Consent Decree shall prevent the Commission or its delegated authority from adjudicating complaints filed pursuant to Section 208 of the Act<sup>27</sup> against AT&T or the AT&T Lifeline Affiliates for alleged violations of the Act, or for any other type of alleged misconduct, regardless of when such misconduct took place. The Commission's adjudication of any such complaint will be based solely on the record developed in that proceeding. Except as expressly provided in this Consent Decree, this Consent Decree shall not prevent the Commission from investigating new evidence of noncompliance by AT&T or the AT&T Lifeline Affiliates with the Communications Laws.

22. **Civil Penalty.** AT&T, on behalf of the AT&T Lifeline Affiliates, will pay a civil penalty to the United States Treasury in the amount of six million, nine hundred thousand dollars (\$6,900,000) within thirty (30) calendar days of the Effective Date. AT&T shall send electronic notification of the payment to the Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, SW, Room 4-C224, Washington, DC 20554, with a copy submitted electronically to Jeffrey.Gee@fcc.gov and Mindy.Littell@fcc.gov on the date said payment is made. The payment must be made by check or similar instrument, wire transfer, or credit card, and must include the respective Account Number and FRN referenced above. Regardless of the form of payment, a completed FCC Form 159 (Remittance Advice) must be submitted.<sup>28</sup> When completing the FCC Form 159, enter the Account Number in block number 23A (call sign/other ID) and enter the letters "FORF" in block number 24A (payment type code). Below are additional instructions that should be followed based on the form of payment selected:

<sup>26</sup> 47 C.F.R. § 1.16.

<sup>27</sup> 47 U.S.C. § 208.

<sup>28</sup> An FCC Form 159 and detailed instructions for completing the form may be obtained at <http://www.fcc.gov/Forms/Form159/159.pdf>.

- Payment by check or money order must be made payable to the order of the Federal Communications Commission. Such payments (along with the completed Form 159) must be mailed to Federal Communications Commission, P.O. Box 979088, St. Louis, MO 63197-9000, or sent via overnight mail to U.S. Bank – Government Lockbox #979088, SL-MO-C2-GL, 1005 Convention Plaza, St. Louis, MO 63101.
- Payment by wire transfer must be made to ABA Number 021030004, receiving bank TREAS/NYC, and Account Number 27000001. To complete the wire transfer and ensure appropriate crediting of the wired funds, a completed Form 159 must be faxed to U.S. Bank at (314) 418-4232 on the same business day the wire transfer is initiated.
- Payment by credit card must be made by providing the required credit card information on FCC Form 159 and signing and dating the Form 159 to authorize the credit card payment. The completed Form 159 must then be mailed to Federal Communications Commission, P.O. Box 979088, St. Louis, MO 63197-9000, or sent via overnight mail to U.S. Bank – Government Lockbox #979088, SL-MO-C2-GL, 1005 Convention Plaza, St. Louis, MO 63101.

Questions regarding payment procedures should be addressed to the Financial Operations Group Help Desk by phone, 1-877-480-3201, or by e-mail, [ARINQUIRIES@fcc.gov](mailto:ARINQUIRIES@fcc.gov).

23. **Waivers**. As of the Effective Date, AT&T and each of the AT&T Lifeline Affiliates waive any and all rights they may have to seek administrative or judicial reconsideration, review, appeal or stay, or to otherwise challenge or contest the validity of this Consent Decree and the Adopting Order. AT&T and each of the AT&T Lifeline Affiliates shall retain the right to challenge Commission interpretation of the Consent Decree or any terms contained herein. If any Party (or the United States on behalf of the Commission) brings a judicial action to enforce the terms of the Consent Decree or the Adopting Order, neither AT&T, the AT&T Lifeline Affiliates, nor the Commission shall contest the validity of the Consent Decree or the Adopting Order, and AT&T and the AT&T Lifeline Affiliates shall waive any statutory right to a trial *de novo*. AT&T and the AT&T Lifeline Affiliates hereby agree to waive any claims they may otherwise have under the Equal Access to Justice Act<sup>29</sup> relating to the matters addressed in this Consent Decree.

24. **Severability**. The Parties agree that if any of the provisions of the Consent Decree shall be held unenforceable by any court of competent jurisdiction, such unenforceability shall not render unenforceable the entire Consent Decree, but rather the entire Consent Decree shall be construed as if not containing the particular unenforceable provision or provisions, and the rights and obligations of the Parties shall be construed and enforced accordingly.

25. **Invalidity**. In the event that this Consent Decree in its entirety is rendered invalid by any court of competent jurisdiction, it shall become null and void and may not be used in any manner in any legal proceeding.

26. **Subsequent Rule or Order**. The Parties agree that if any provision of the Consent Decree conflicts with any subsequent Rule or Order adopted by the Commission (except an Order specifically intended to revise the terms of this Consent Decree to which AT&T does not expressly consent) that provision will be superseded by such Rule or Order.

27. **Successors and Assigns**. AT&T and the AT&T Lifeline Affiliates agree that the provisions of this Consent Decree shall be binding on its successors, assigns, and transferees.

28. **Final Settlement**. The Parties agree and acknowledge that this Consent Decree shall constitute a final settlement between the Parties with respect to the Investigation.

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<sup>29</sup> See 5 U.S.C. § 504; 47 C.F.R. §§ 1.1501–1.1530.

29. **Modifications.** This Consent Decree cannot be modified without the advance written consent of both Parties.

30. **Paragraph Headings.** The headings of the paragraphs in this Consent Decree are inserted for convenience only and are not intended to affect the meaning or interpretation of this Consent Decree.

31. **Authorized Representative.** Each Party represents and warrants to the other that it has full power and authority to enter into this Consent Decree. Each person signing this Consent Decree on behalf of a Party hereby represents that he or she is fully authorized by the Party to execute this Consent Decree and to bind the Party to its terms and conditions.

32. **Counterparts.** This Consent Decree may be signed in counterpart (including electronically or by facsimile). Each counterpart, when executed and delivered, shall be an original, and all of the counterparts together shall constitute one and the same fully executed instrument.

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Travis LeBlanc  
Chief  
Enforcement Bureau

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Date

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Mel Coker  
Chief Marketing Officer-Home Solutions  
AT&T Services, Inc., on behalf of itself and BellSouth Telecommunications, LLC, The Ohio Bell Telephone Company, Southwestern Bell Telephone Company, Nevada Bell Telephone Company, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, and Wisconsin Bell, Inc.

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Date