

SCOTT Annette

From: SCOTT Annette
Sent: Thursday, April 09, 2015 9:01 AM
To: SCOTT Annette
Subject: FW: Biennial Audit Report
Attachments: TracFone Wireless Inc Lifeline AUP Report.pdf

From: CRAY Jon
Sent: Wednesday, April 08, 2015 6:01 PM
To: puc.hearings
Subject: FW: Biennial Audit Report

Hi,

Would you please add the attached report to Docket No. RT 3?

Thanks in advance.
Jon

From: Stephen Athanson [<mailto:SATHANSON@tracfone.com>]
Sent: Monday, April 06, 2015 11:38 AM
To: CRAY Jon
Cc: MARINOS Kay
Subject: Biennial Audit Report

Jon, attached for the staff's information is a copy of our Biennial Audit Report which was filed with the FCC late last week. If you would like us to make a formal filing, please let us know, and we will do so.

Stephen Athanson
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LIFELINE BIENNIAL AUDIT REPORT

TracFone Wireless Inc.
Year Ended December 31, 2013
With Report of Independent Certified Public Accountants

Ernst & Young LLP





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Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

To the Managements of TracFone Wireless, Inc. (TracFone), the
Universal Service Administrative Company (USAC), and the Federal
Communications Commission (FCC or Commission):

We have performed the procedures enumerated in Attachment A, which were agreed to by the Federal Communications Commission Wireline Competition Bureau (FCC), Office of Managing Director (OMD), the Universal Service Administration Company (USAC), and management of TracFone Wireless, Inc., an eligible telecommunications carrier (TracFone) (collectively, Specified Users) in the Lifeline Biennial Audit Plan or as otherwise directed by the Bureau, solely to assist you in evaluating TracFone's assertion with respect to compliance with certain regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program) of the Universal Service Fund, set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules) detailed in the Lifeline Biennial Audit Plan for the calendar year ended December 31, 2013, and included in the accompanying management report. TracFone is responsible for its compliance with the Lifeline Requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (2011 Revision). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The procedures performed were those contained in FCC WC Docket No. 11-42, *Attachment 3 – Biennial Audit Plan, Universal Service Fund – Lifeline Program, General Standard Procedures for Biennial Independent Audits Required Under the Lifeline Reform Order*, erratum released September 19, 2014, or as directed by the Wireline Competition Bureau of the FCC. Specific procedures and related results are enumerated in Attachment A to this report.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on TracFone Wireless, Inc.'s assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the managements of TracFone Wireless, Inc., USAC, and the FCC, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ernst & Young LLP

March 27, 2015

1503-1421764

Attachment A

Results of Agreed-Upon Procedures

The procedures shown in italics within this appendix are specifically listed in *Section III – Fieldwork Testing Procedures* in FCC WC Docket No. 11-42, *Attachment 3 – Biennial Audit Plan, Universal Service Fund – Lifeline Program, General Standard Procedures for Biennial Independent Audits Required Under the Lifeline Reform Order*, erratum released September 19, 2014, (the GSPs). All references to “GSP Appendix A”, “GSP Appendix B” and “GSP Appendix F” within the procedures refer to Appendix A, B, and F included with the GSPs.

OBJECTIVE I: Carrier Obligation to Offer Lifeline.

- I-1 **Procedure:** *Inquire of management and obtain carrier policies and procedures in response to Item 4 of GSP Appendix A (Requested Documents) for offering Lifeline service to qualifying low-income consumers. Examine the carrier policies and procedures, and compare management responses and carrier policies and procedure with the Commission’s Lifeline rules set forth in GSP Appendix F. Note any discrepancy between the policies and procedures and the Commission’s rules.*

We obtained copies of the written policies and procedures for offering Lifeline service to qualifying low-income consumers and management’s responses to the background questionnaire defined in GSP Appendix B of the GSPs (Background Questionnaire) and compared the TracFone Lifeline Policies to the FCC rules defined in 47 Code of Federal Register (C.F.R) Sections 54.405, 54.407, 54.410, 54.416, 54.417, and 54.422 (collectively, the TracFone Lifeline Requirements).

Finding:

We observed no discrepancies.

- I-2 **Procedure:** *Inspect 10 examples of carrier marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, application and certification forms), as provided in response to Items 4, 6 and 7 of GSP Appendix A, and note if the materials do not include the following:*

- i. The service is a Lifeline service, which is a government assistance program*
- ii. The service is non-transferable*
- iii. Only eligible subscribers may enroll*
- iv. Only one Lifeline discount is allowed per household; and*
- v. TracFone’s name or any brand names used to market the service*

If all of the examples do not include this required information, identify and note the specific element(s) that are missing from each example. In the event TracFone does not have 10 different examples of marketing materials, it should submit as many as it uses to advertise TracFone’s Lifeline service plans.

We obtained 50 examples of carrier marketing materials describing the Lifeline service. From the 50 examples, we randomly selected 10 examples and inspected each example for required information items i. through v. listed in Objective I, Procedure 2 above.

Finding:

For the 10 examples, we observed the following:

- All ten examples included the required information items i. through v.

- I-3 **Procedure:** *Randomly select 10 recorded calls out of the 50 recorded calls servicing TracFone's Lifeline subscribers, as provided in response to Item 8 of GSP Appendix A. In reviewing the 10 recorded calls, note whether: (1) the telephone number(s) involve the use of interactive voice response (IVR) system; (2) a live customer care operator is available; and (3) and the time spent using the customer care telephone service. Also note whether the customer care telephone number(s) can be used by subscribers to notify TracFone of the subscriber's intent to cancel service or give notification that the subscriber is no longer eligible to receive service.*

We obtained 50 Lifeline customer service call recordings. From the 50 call recordings obtained, we randomly selected 10 calls, replayed the calls to observe whether: (1) the telephone numbers used by the Lifeline customer involved the use of interactive voice response (IVR) system; (2) a live customer care operator was available; (3) the time spent using the customer care telephone service; and (4) whether the customer care telephone number was used by subscribers to notify TracFone of the subscriber's intent to cancel service or give notification that the subscriber is no longer eligible to receive service.

Finding:

For the 10 selected calls, we observed the following:

- The telephone number used by the Lifeline customer involved the use of an IVR system
- A live customer care operator was available during the call
- The call times ranged from 3:45 minutes to 5:44 minutes
- None of the ten calls were from Lifeline customers notifying TracFone of their intent to cancel service or give notice that they were no longer eligible to receive service

- I-4 **Procedure:** *Inspect applicable policies and procedures regarding de-enrollment from the program, including when TracFone will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage, and failure to recertify, as further described below.*

- a. *Inspect TracFone's policy and procedures for de-enrollment where TracFone has information indicating that a Lifeline subscriber no longer meets the criteria to be considered a qualifying low-income consumer under 47 C.F.R. §54.409, as provided in response to Item 4 of GSP Appendix A. Note whether the policy and procedures detail the process for communications between the subscriber and TracFone regarding de-enrollment, including, but not limited to: (1) notifying subscribers of impending termination of service; (2) allowing subscriber to demonstrate continued eligibility; and (3) termination of service for failure to demonstrate eligibility. Identify any areas that are not in compliance with section 54.405(e)(1) of the Commission's rules.*

We inspected the TracFone Lifeline Policies obtained in Procedure I-1, for policies and procedures specific to de-enrollment where TracFone has information indicating that the subscriber no longer meets the eligibility criteria for Lifeline service.

Finding:

We observed that the TracFone Lifeline Policies included, without discrepancies, descriptions of the process for communications between the subscriber and TracFone regarding de-enrollment, including (1) notifying subscribers of impending termination of service; (2) allowing subscriber to demonstrate continued eligibility; and (3) termination of service for failure to demonstrate eligibility.

- b. *Inspect the carrier's policy and procedures for de-enrolling subscribers that are receiving Lifeline service from another Eligible Telecommunications Carrier (ETC) or where more than one member of a subscriber's household is receiving Lifeline service (duplicative support). Note if the policy and procedures state that TracFone will de-enroll subscribers within five business days of receiving notification from USAC program management that a subscriber or a subscriber's household is receiving duplicative Lifeline support, as required by section 54.405(e)(2) of the Commission's rules.*

We inspected the TracFone Lifeline Policies obtained in Procedure 1, related to de-enrollment where subscriber is receiving Lifeline service from another ETC or where more than one member of the subscriber's household is receiving Lifeline service.

Finding:

We observed that the TracFone Lifeline Policies state that they will de-enroll subscribers within five business days of receiving notification from USAC program management that a subscriber or a subscriber's household is receiving duplicative Lifeline support.

- c. *Inspect the carrier's policy and procedures for de-enrolling subscribers for non-usage (i.e., where a Lifeline subscriber fails to use Lifeline service for 60 consecutive days), including the process of how the carrier monitors and identifies subscribers who are non-users of Lifeline service but enrolled in the program. Using the list provided in response to Item 10 in GSP Appendix A, perform the following:*
- i. *For subscribers listed as de-enrolled or scheduled for de-enrollment, select a sample of at least 10 accounts and request copies of the non-usage termination notifications sent to the subscribers.*
 - ii. *Examine the non-usage termination notifications to verify if the termination notifications explain that the subscriber has 30 days following the date of the impending termination notification to use the Lifeline service. Note if any of the non-usage termination notifications do not include this information, as required by section 54.405(e)(3) of the Commission's rules.*
 - iii. *Attach a sample non-usage termination notification(s).*

We inspected the TracFone Lifeline Policies obtained in Procedure I-1, related to de-enrolling subscribers for non-usage where a Lifeline subscriber fails to use the Lifeline service for 60 consecutive days. For the subscribers listed as de-enrolled, we selected a sample of 10 accounts and obtained copies of the non-usage termination notifications sent to the subscribers. We examined these notifications to determine whether the notifications explained that the subscriber had 30 days remaining to recertify. We also included a sample of the non-usage termination notification in our workpapers.

Finding:

We observed the following:

- The copies of the requested documents were obtained for 10 of the 10 subscribers selected. The documents included an explanation that the subscriber had 30 days following the date of the notice of impending de-enrollment letter to demonstrate continued eligibility or the carrier would terminate the subscriber's Lifeline service.
- d. *Review the carrier's policy and procedures for de-enrolling a Lifeline subscriber that does not respond to the carrier's attempts to obtain recertification, as part of the annual eligibility recertification process. For any subscribers identified in Item 9.i, j and of GSP Appendix A, select a random sample of at least 30 and request copies of the notice of impending de-enrollment letters and all other communications sent to the subscribers involving recertification and perform the following:*
- i. *Inspect the sampled notice of impending de-enrollment letters and any other communications sent to the subscriber regarding re-certification to verify if the communications explain that the subscriber has 30 days following the date of the notice of impending de-enrollment letter to demonstrate continued eligibility or the carrier will terminate the subscriber's Lifeline service. Note if any of the impending de-enrollment letters do not include this information.*
 - ii. *Review the de-enrollment letters, and other forms of communications, and the carrier's responses to the background questionnaire and verify through observation that the de-enrollment letters, if that form of communication was used, were sent by a method separate from the subscriber's bill (if a customer receives a bill from the carrier).*
 - iii. *Attach a random sample of at least five examples of the impending de-enrollment letters to this procedure, and attach other forms of communication provided to the subscriber.*

We inspected the TracFone Lifeline Policies obtained in Procedure I-1, related to de-enrolling a Lifeline subscriber that does not respond to the carrier's attempts to obtain recertification, as part of the annual eligibility recertification process.

We randomly selected 30 subscribers from the subscriber listings reported on FCC Form 555 in January 2014 provided by TracFone, in response to GSP Appendix A, Item 9.i – Subscribers who responded to direct contact to re-certify eligibility, GSP Appendix A, Item 9. j. – Subscribers who responded to direct contact that they were no longer eligible, and GSP Appendix A, Item 9.m. – Subscribers whose eligibility was reviewed by a state administrator, USAC program management or via access to eligibility data who were found to be ineligible. For the 30 selected subscribers, we requested copies of the notice of impending de-enrollment letters and other communications sent involving recertification.

Finding:

We observed the following:

- The copies of the requested documents were obtained for 30 of the 30 subscribers. The documents included an explanation that the subscriber had 30 days following the date of the notice of impending de-enrollment letter to demonstrate continued eligibility or the carrier would terminate the subscriber's Lifeline service.

OBJECTIVE II: Consumer Qualification for Lifeline.

- II-1 **Procedure:** *Inquire of management and obtain carrier policies and procedures for limiting Lifeline support to a single subscription per household as provided by the carrier in response to Item 4 of GSP Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in 54.409(c) (Appendix F). Note any discrepancies between the policies and procedures and the Commission's rule.*

We inspected the TracFone Lifeline Policies obtained in Procedure I-1, related to the Commission's rules, section 54.409(c) requiring that Lifeline support be limited to a single subscription per household (One Per Household Rules).

Finding:

We compared the TracFone Lifeline Policies to the One Per Household Rules and observed no discrepancies.

II-2 **Procedure:** *Review procedures the carrier has in place to ensure it has accurately completed the FCC Form 497. If the carrier does not have such procedures, inquire of management to describe the process for completing an FCC Form 497. The procedures or process should include the following:*

- *The position title of the person responsible for obtaining data for the FCC Form 497*
- *The process for determining which subscribers should be included monthly in the FCC Form 497. Verify the procedures include cutoff and billing cycle dates, and only those subscribers active as of the start or end of the month*
- *That a corporate officer signature is required for the FCC Form 497*
- *That a verification process exists to perform an independent review; that is, the person reviewing or validating the form's data is different from the person completing the form*
- *Provides the billing system name used to generate completion of the form and*
- *If applicable, describes the process for completing the Tribal Link Up portions of the FCC Form 497*

We inspected and compared the TracFone Lifeline Policies obtained in Procedure I-1, to the procedures that TracFone has in place to complete Form 497.

Finding:

Our comparison observed no discrepancies with regards to the following items:

- The position title of the person responsible for obtaining data for the FCC Form 497.
- The process for determining which subscribers should be included monthly in the FCC Form 497 and description of the cutoff and billing cycle dates used and whether subscribers active as of the start or end of the month were reported.
- Independent review processes over the data validation and form completion.

Procedure:

We obtained the following Form 497 submissions for the randomly selected month of August 2013:

- Florida, Illinois, Washington

Finding:

We observed that the Form 497 submissions listed above:

- Included the name and title of the corporate officer signing and approving the Form 497 submission.
- Included a corporate officer approving the Form 497, which was different from the person completing the form and obtaining the data for the form.
- Did not report any information in the Tribal Link Up portion of the Form 497.

Procedure:

We inquired of management as to which billing systems are used to complete the Form 497 submissions.

Finding:

Management represented that TracFone's uses Customer Record Information System and the Lifeline Tracking Tool to complete the Form 497 submissions.

- II-3 **Procedure:** *Obtain the Subscriber List in response to Item 1 of GSP Appendix A and obtain the carrier's FCC Form 497(s) for each study area in the selected states for the selected month. Examine the number of subscribers claimed on the Form(s) 497. Compare the number of subscribers reported on the Form 497(s) to the number of subscribers contained on the Subscriber List for each study area. Note any discrepancies in the number of subscribers.*

TracFone delivered to EY the listing of states or territories where they are responsible for Lifeline certification forms. EY forwarded the listing of states to USAC. USAC responded to EY on October 13, 2014, with the listing of the top three states where TracFone provided the largest amount of Lifeline support during August 2013. From the listing of the top three states, we selected Florida for testing. From the listing of the remaining states where TracFone received Lifeline support during the Engagement Period, we randomly selected the states of Florida, Illinois and Washington for testing. We then randomly selected the month of February 2013. We requested lists of Lifeline subscribers claimed by TracFone for February 2013 in Florida, Illinois, and Washington. From the subscriber listing obtained, we observed that TracFone included subscribers in Florida, Illinois, and Washington.

From the subscriber listings obtained, we calculated the total number of subscribers listed by study area and compared this total to the total subscribers reported by TracFone in their Form 497 submissions for Florida, Illinois, and Washington for August 2013.

Finding:

No differences were observed.

- II-4 **Procedure:** *Using computer-assisted audit techniques examine the Subscriber List and note if there are any duplicate addresses with different subscribers. Create a list reflecting these results.*

Using computer-assisted data comparisons, we queried the subscriber listings obtained in Procedure II-3 above for duplicate addresses with different subscribers.

Finding:

No differences were observed.

- II-5 **Procedure:** *From the list completed in I-4 above, randomly select up to 30 subscribers from the list and request from TracFone copies of the one-per-household certification form for each of the selected subscribers. Verify that the selected subscribers are certified to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet. Note the number of missing or incomplete certifications. Even if subscribers enrolled in the program prior to*

June 2012, the effective date of the one-per-household requirement, at least one subscriber at each address is required to complete a one-per-household worksheet.¹

From the duplicate subscribers listing completed in Procedure II-4 above, we randomly selected 30 subscribers. For each of the 30 selected subscribers, we queried the subscriber listings obtained in Procedure II-3 above for the duplicate subscriber with the address. Upon identifying the duplicate subscriber, we compared the start date of Lifeline service for the duplicate subscriber to the selected subscriber's Lifeline service start date.

Finding:

From this comparison, we observed the following:

- Twenty-six of the 30 selected subscribers began Lifeline service prior to the corresponding duplicate subscriber. These 26 subscribers were the first subscribers to register and begin service at their given addresses. As such, no further procedures were performed.
- Four of the 30 selected subscribers began Lifeline service after the corresponding duplicate subscriber. These four subscribers began service and listed a home address that had already been listed by previous subscribers. The following procedures were performed:

For the four subscribers that began Lifeline service after the corresponding duplicate subscriber, we requested from TracFone copies of the one-per-household certification form for each selected subscriber. For four of the four subscribers, we observed that the one-per-household certification form included the subscriber's certification to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet.

OBJECTIVE III: Subscriber Eligibility Determination and Certification.

III-1 **Procedure:** *Inquire of management and obtain carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by the carrier in response to Item 4 of GSP Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in section 54.410 (Appendix F). Note any discrepancies between the policies and procedures and the Commission's rule.*

- Inspect TracFone's policies and look for evidence as to whether it includes a policy that TracFone does not retain copies of subscribers' proof of income- or program-based eligibility. Note in the Attestation Report if such a policy is not included.*
- Inspect TracFone's policies and look for evidence as to whether it includes a policy or procedure that TracFone must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that TracFone or its agents may not provide the consumer with an activated device intended to enable access to Lifeline service until that consumer's eligibility is fully verified and all other necessary enrollment steps have been completed.*

We inspected and compared the TracFone Lifeline Policies obtained in Procedure I-1, to the Commission's rules, section 54.410 regarding Lifeline subscriber eligibility determination and certification.

¹ The Commission requires that TracFone collect the one-per-household worksheet when they learn that a subscriber resides in the same address as another Lifeline subscriber. *See Lifeline Reform Order*, 27 FCC Recorded at 6691, 6895-96, para. 78, App. C.

Finding:

We observed no discrepancies.

- III-2 **Procedure:** *Examine TracFone's policies and procedures for training employees and agents for ensuring that TracFone's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how the company ensures employees and agents have completed the training. In the report, summarize the training requirements and TracFone's policies for ensuring employees and agents are trained on the use and interaction with the NLAD, limiting access to the NLAD to select individuals, and the rules for ensuring subscribers are eligible to receive Lifeline services and have completed all forms necessary to receive service. Include information provided regarding the timing, frequency and evidence of completion of the initial and any subsequent Lifeline subscriber eligibility and certification trainings required of TracFone's employees.*

We inspected and compared the TracFone Lifeline policies and procedures obtained in Procedure III-2 related to training employees and agents to ensure that TracFone's Lifeline subscribers are eligible to receive Lifeline services.

Finding:

We observed no discrepancies.

- III-3 **Procedure:** *Randomly select at least 100 subscribers from the Subscriber List; for the first 50 of the sampled subscribers, the auditor will perform the test described below, for each of the subscriber's certification and recertification forms.² After performing the tests described below for the first 50 sampled subscriber, if the error rate is higher than 5%, the auditor should apply the same procedure to the remaining 50 subscribers in the sample and record the results.*

- a. *Examine the subscriber certification and recertification forms, if any, to verify the forms contain the following information:*
- i. *Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program*
 - ii. *Only one Lifeline service is available per household*
 - iii. *A household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together at the same address and share income and expenses*
 - iv. *A household is not permitted to receive Lifeline benefits from multiple providers*
 - v. *Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the subscriber's de-enrollment from the program*
 - vi. *Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person*
 - vii. *Require each prospective subscriber to provide the following information:*
 1. *The subscriber's full name*
 2. *The subscriber's full residential address*
 3. *Whether the subscriber's residential address is permanent or temporary*
 4. *The subscriber's billing address, if different from the subscriber's residential address*

² In the event the auditor chooses a sampled subscriber that enrolled in the program prior to June 1, 2012 (before the effective date of section 54.410 of the Commission's rules), the auditor should randomly select another subscriber that enrolled in the program after June 1, 2012. Subscribers enrolled in Lifeline service subsequent to June 1, 2012, are subject to the initial certification process but are not subject to the recertification process for that year.

5. *The subscriber's date of birth*
 6. *The last four digits of the subscriber's Social Security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a Social Security number*
 7. *If the subscriber is seeking to qualify for Lifeline under the program-based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits*
 8. *If the subscriber is seeking to qualify for Lifeline under the income-based criterion, as set forth in § 54.409, the number of individuals in his or her household.*
- viii. *Require each prospective subscriber to certify, under penalty of perjury, that:*
1. *The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409*
 2. *The subscriber will notify TracFone within 30 days if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program-based criteria for receiving Lifeline service, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit*
 3. *If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he or she lives on Tribal lands, as defined in 54.400(e)*
 4. *If the subscriber moves to a new address, he or she will provide that new address to TracFone within 30 days*
 5. *The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service*
 6. *The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge*
 7. *The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law*
 8. *The subscriber acknowledges that the subscriber may be required to re-certify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to § 54.405(e)(4)*
- ix. *Compare TracFone's subscriber eligibility criteria on the certification and recertification forms to the federal eligibility criteria listed in per 47 C.F.R. § 54.409. Note any discrepancies. **Note:** TracFone may list the eligibility criteria in its entirety or may allow the subscriber to note only his/her qualifying criterion on the form.*
- x. *Verify the subscriber completed all the required elements as identified in Objective III – 3 a. above, including signature and initialing/checkbox requirements contained in the certification and recertification forms.*
- Examine the subscriber's initial certification form to verify the initial certification form is dated prior to or on the same day as the Lifeline start date per the Subscriber List. This procedure would not apply to subscribers enrolled prior to June 2012.*
- xi. *If applicable, verify subscribers who received Tribal Lifeline support are certified to reside on Tribal lands.*

From the Subscriber List obtained in Procedure II-3, we randomly selected 100 subscribers. For the first 50 of the 100 randomly selected subscribers, we obtained the subscribers' certification forms or recertification forms and performed the following procedures.

- xii. We obtained copies of the subscriber certification and recertification forms used by TracFone during the Engagement Period. We compared the information included on the forms to the information listed in Procedure III-3.a. i. through III-3.a.viii. and that the forms either included the list of federal subscriber eligibility requirements per 47 C.F.R. § 54.409 or allowed the subscriber to list his/her qualifying criteria on the form.

Finding:

We observed no discrepancies.

- xiii. We compared the responses provided by the selected subscribers on the certification or recertification forms to all the information listed in procedures i. through viii. and that the forms included the subscriber's signature and selection of their eligibility criteria.

Finding:

We observed no discrepancies.

- xiv. We compared the date of the subscriber's initial certification form and compared it to the Lifeline service start date provided in the Subscriber Listing.

Finding:

For the 50 selected subscribers, we observed the following:

- For 50 of the 50 selected subscribers, the Lifeline service start date followed the date of their initial certification form.

- xv. TracFone does not provide service to any Tribal Lifeline subscribers. As such, there were no Tribal Lifeline Subscribers to select for testing. No further procedures were performed.

- b. Review the list of the data source or documentation TracFone reviewed to confirm the subscriber's eligibility. Verify the recorded data sources are eligible data sources per 47 C.F.R. § 54.410, such as (1) income or program eligibility databases, (2) income or program eligibility documentation, or (3) confirmation from a state administrator.

For the 50 selected subscribers, we compared the data sources used by TracFone to confirm the subscriber's eligibility that was recorded on the subscribers' certification or recertification forms to the eligible data sources per 47 C.F.R. § 54.410.

Finding:

We observed no exceptions.

OBJECTIVE IV: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers.

- IV-1 **Procedure:** Inquire of management and obtain carrier policies and procedures for ensuring that the carrier has made and submitted the annual certifications required under sections 54.416 and 54.422 of the Commission's rules, as provided in Item 12 of GSP Appendix A. Examine the policies and procedures. Compare management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in sections 54.416 and 54.522 (Appendix F). Note any

discrepancies between the policies and procedures and the Commission's rules.

We inspected TracFone Lifeline Policies obtained in Procedure I-1, regarding TracFone's annual certifications required under sections 54.416 and 54.422 of the Commission's rules and compared management's responses and carrier policies and procedures with the Commission's Lifeline rules.

Finding:

We observed no discrepancies.

IV-2 **Procedure:** *Examine TracFone's FCC Form 555 that was filed the January following the audit period.³ Verify the carrier made all of the following certifications. An officer of TracFone must certify that s/he understands the Commission's Lifeline rules and requirements and that the carrier:*

- a. Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services*
- b. Is in compliance with all federal Lifeline certification procedures and*
- c. In instances where TracFone confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. § 54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources TracFone used to confirm eligibility.*

Pursuant to the sampling selection criteria in Procedure IV-5 below, we selected and obtained the FCC Form 555 filings submitted in January 2014 for TracFone for the Florida, Illinois, and Washington study areas.

Finding:

We read the three FCC Form 555s and observed that they included an officer's certification that he understands the Commission's Lifeline rules and requirements and that the carrier:

- Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services
- Is in compliance with all federal Lifeline certification procedures
- and
- In instances where TracFone confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. § 54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources TracFone used to confirm eligibility.

IV-3 **Procedure:** *Examine TracFone's organizational chart provided in response to Item 5 of GSP Appendix A. Verify that the certifying officer on the FCC Form 555 is an officer per the organizational chart or other publicly available documents.*

We obtained the organizational charts provided by TracFone and compared the names of the persons certifying the three FCC Form 555 filings obtained in Procedure IV-2 above to the organizational charts, and observed that the three FCC Form 555 filings were certified by officers of TracFone.

³ For the first biennial audit, the auditor would examine the Form 555 filed January 2014, which represents the subscribers recertified during calendar year 2013.

Finding:

We noted no discrepancies.

- IV-4 **Procedure:** *Verify that the subscriber count per the FCC Form 555 agrees with the total subscriber count per the February Form 497. Note: The FCC Form 555 is completed by the carrier at the state level (not the study area level). If the carrier has two study areas in one state, the carrier must combine the results of both study areas and complete one Form 555 for that state.*

We obtained the Form 497 filings for February 2013 for TracFone for Florida, Washington, and Illinois. Using these Form 497 filings and the three Form 555 filings obtained in Procedure 2 above, we compared Form 555 Item A (Number of Subscribers Claimed on February FCC Form 497 of current Form 555 calendar year) to the total number of subscribers reported on the Form 497 (the sum of subscribers reported in line 8, non-tribal subscribers and line 9, tribal subscribers).

Finding:

- No differences were observed.

- IV-5 **Procedure:** *For the month of February, the auditor shall: (i) randomly select one of the three states or territories where TracFone received the largest amount of Lifeline support and is responsible for the annual recertification process; and (ii) randomly select two additional states or territories where TracFone is responsible for the annual recertification process (Recertification Sample). In the event TracFone did not receive Lifeline support in at least three states or territories, the auditor shall select all of the states or territories where TracFone received Lifeline support during the audit period. Using the Recertification Sample, the auditor shall review TracFone's recertification results of the individual subscribers reported on the FCC Form 555 filed the January following the audit period for those three randomly selected states, as provided in Item 9 of GSP Appendix A. Verify that the data reported on the FCC Form 555 for those states agree with the detailed recertification results.*

For the month of February 2014, we obtained a listing of the three states where TracFone each received the largest amount of Lifeline support from USAC. For TracFone, those three states were Florida, Ohio and Georgia. We randomly selected Florida for testing.

We obtained a listing of 40 remaining states and territories where TracFone provided Lifeline service during the Engagement Period from USAC. From the listing of the 40 remaining states and territories, we removed California, Nebraska and Texas, as these states administer the Lifeline certification and recertification process. From the remaining 37 states and territories, we randomly selected Illinois and Washington for testing.

Using the three Form 555 filings obtained in Procedure IV-2 and the list of subscribers provided by the Company in response to GCP Appendix A, Item 9 (A9 Population), we compared Form 555 Item A (Number of Subscribers Claimed on February FCC Form(s) 497 of current Form 555 calendar year) to the total number of subscribers in the A9 Population.

Finding:

- No differences were observed for TracFone for Florida, Illinois, and Washington.

- IV-6 **Procedure:** *If the non-usage rule applies to TracFone, the auditor shall (i) randomly select three months during the audit period; (ii) randomly select one of the three states or territories where TracFone received the largest amount of Lifeline support; (iii) randomly select two additional states or territories where TracFone receives Lifeline support; and (iv) review TracFone's detailed non-*

usage results of the individual subscribers reported on the FCC Form 555 for those three randomly selected months within the three selected states, as provided in Item 10 of GSP Appendix A (Non-Usage Sample). In the event TracFone did not receive Lifeline support in at least three states or territories, the auditor shall select all of the states or territories where TracFone received Lifeline support during the audit period. Verify that the data reported on the FCC Form 555 for the Non-Usage Sample agrees with the detailed non-usage results.

We reviewed TracFone's detailed non-usage results of the individual subscribers reported on the FCC Form 555, as provided in Item 10 of GSP Appendix A, for the randomly selected months of Florida, Illinois, and Washington.

Finding:

No exceptions were observed.

IV-7 Procedure: *Review the carrier's annual TracFone certification, as provided in Item 13 of GSP Appendix A. Verify that TracFone reported all the information and made all the certifications required by 47 C.F.R. §54.422(a)(b).*

Along with the six Form 555 filings obtained in Procedure IV-2 above, we obtained the following FCC Form 481- Carrier Annual Reporting, Data Collection Form submissions in response to Item 13 of GSP Appendix A:

- Study area code 219003, FCC Form 481
- Study area code 349021, FCC Form 481
- Study area code 529012, FCC Form 481

We read the FCC Form 481 submissions listed above to determine that they included the following information required by 47 C.F.R. §54.422(a).

- Company name
- Holding company name
- Operating companies and affiliates
- Branding ("doing-business-as company" or brand designations)
- Study area code
- Website link to information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, including details on the number of minutes provided as part of the plan, additional charges, if any, for toll calls, and rates for each such plan.

Finding:

No exceptions were observed.

We read the FCC Form 481 submissions listed above to determine that they included the following information required by 47 C.F.R. §54.422(b)(1):

- Study area code 219003, FCC Form 481, Study area code 349021, FCC Form 481, and Study area code 529012, FCC Form 481 each indicated that they had no outages to report in the prior calendar year.

We read the FCC Form 481 submissions listed above to determine that they included the following information required by 47 C.F.R. §54.422(b)(2).

- The number of complaints per 1,000 connections in the prior calendar year

- Certification of compliance with the applicable service quality standards and consumer protection rules
- Certification that the carrier is able to function in an emergency situation as set forth in §54.202(a)(2)

Finding:

No exceptions were observed.

- IV-8 **Procedure:** *Review any supporting schedules related to the carrier's annual TracFone certification, as provided in Item 13 of GSP Appendix A. Verify that the data reported on the annual TracFone certification agrees with the supporting schedules.*

No supporting schedules related to the TracFone annual TracFone certifications were provided in Item 13 of GSP Appendix A.

For the TracFone annual certification, the only attachment or supporting schedule provided in Item 13 of GSP Appendix A was the required outage attachment discussed in Procedure IV-7 above. No further procedures were performed on this schedule, as it did not contain information otherwise included in the Form 481 submission.

- IV-9 **Procedure:** *Inquire of management and obtain carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules, as provided by the carrier in response to Item 4 of GSP Appendix A. Examine the policies and procedures. Compare the management responses and carrier policies with record-keeping rules set forth in 47 C.F.R. §54.417. Note any discrepancies between the policies and procedures and the Commission's rule.*

We inspected and compared the TracFone Lifeline Policies obtained in Procedure I-1, regarding TracFone's maintenance of records required under sections 54.417 of the Commission's rules.

Finding:

We observed no discrepancies.

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