



Ajit Pai
Commissioner

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, DC 20554

June 8, 2016

Mr. Chris Henderson
Chief Executive Officer
Universal Service Administrative Company
2000 L Street NW, Suite 200
Washington, DC 20036

Dear Mr. Henderson,

Thank you again for your May 25 letter, which contained detailed data on how wireless resellers have used the National Lifeline Accountability Database (NLAD). My staff has concluded further analysis of that data, and I am now concerned that abuse of the Universal Service Fund's Lifeline program is more widespread than I first thought.

Before 2012, it was well known that duplicate subscribers (that is, individuals getting multiple subsidies) plagued the Lifeline program. In the *2012 Lifeline Reform Order*, the Commission codified the one-per-household rule, which prohibits more than one Lifeline subscription from going to a single household. To curb the problem of duplicate subscriptions and enforce the one-per-household rule, the FCC established the NLAD. The NLAD is designed to help carriers identify and resolve duplicate claims for Lifeline service and prevent future duplicates from enrolling.

Although the NLAD rejects multiple subscribers at the same address, the FCC also instructed USAC to "implement procedures to enable applicants to demonstrate at the outset that any other Lifeline recipients residing at their residential address are part of a separate household." USAC did so by allowing carriers to override NLAD's rejection of an applicant with the same address as another subscriber. As USAC's website explains, to carry out an independent economic household (IEH) override (as USAC calls it), an applicant must merely check a box on a form and need not provide any supporting documentation.¹

Unfortunately, this well-intentioned exception to the override process appears to be undermining the one-per-household rule. The NLAD is not preventing a large number of duplicate subscribers from claiming Lifeline subsidies.

We saw in the Total Call Mobile case how unscrupulous carriers could regularly register duplicate subscribers by fraudulently using the address of a local homeless shelter, altering a person's name, and using fake Social Security numbers to evade detection. As a result, USAC had to de-enroll 32,498 duplicates from Total Call Mobile's rolls.

But your May 25 letter reveals an even greater problem. **Specifically, USAC's data reveal that carriers enrolled 4,291,647 subscribers between October 2014 and April 2016 using the IEH override process. That's more than 35.3% of all subscribers enrolled in NLAD-participating states**

¹ USAC, NLAD FAQ, <http://www.usac.org/li/about/faqs/faq-nlad.aspx> (June 8, 2016) ("Carriers will receive [a 'Duplicate Address'] error message if another subscriber is currently claiming this address in NLAD. To resolve this error message, collect a Lifeline Household Worksheet from the subscriber. In the 'Subscriber Eligibility Information' section on the 'Enroll Subscriber' page, select 'Yes' for 'Independent Economic Household,' enter the date in 'IEH Certification Date,' then proceed with enrollment.").

during that period. Indeed, that's more people than live in the State of Oregon. And the price to the taxpayer is steep—just one year of service for these apparent duplicates costs taxpayers \$476 million.

It is alarming that over one-third of subscribers—costing taxpayers almost half a billion dollars a year—were registered through an IEH override. Therefore, I respectfully request that you provide the following information to my office:

1. Of the 4,291,647 subscribers enrolled using an IEH override between October 2014 and April 2016, how many are still enrolled in the Lifeline program? To the extent these subscribers are no longer enrolled, please quantify (1) how many subscribers left the program of their own volition, (2) how many de-enrolled as a result of a specific investigation, audit, or review, and (3) how many de-enrolled as a result of annual verification checks.
2. Please explain the process USAC used to establish the current IEH override process. Specifically, please explain why carriers are not required to collect any documentation demonstrating that a subscriber is “part of a separate household” for purposes of an IEH override and why staff do not review either the certification form or any documentation before authorizing an IEH override.
3. Please describe the steps USAC has taken to verify the integrity of the IEH override process. Specifically, I am interested in understanding the steps taken to verify that subscribers enrolled with an IEH override are in fact economically independent from other Lifeline subscribers at the same address.
 - a. For example, one Total Call Mobile sales agent testified that he filled out applications, checking off the boxes he knew applicants needed to check to enroll. What process does USAC use to minimize and detect such behavior?
 - b. Does USAC contact existing subscribers at a particular address before enrolling a new subscriber at that address to verify economic independence?
 - c. Has USAC sampled a set of subscribers to determine whether subscribers can demonstrate economic independence through documentation (such as tax forms)?
 - d. Has USAC coordinated with federal or state agencies to determine whether subscribers have consistently represented themselves as economically independent?
4. According to the 2014 Lifeline Biennial Audit Plan, independent auditors were required to create a list of apparent duplicates for each carrier subject to the audit and verify for a sample of 30 apparent duplicates that “at least one subscriber at each address [has] complete[d] a one-per-household worksheet.” Were auditors required to verify whether such subscribers were actually economically independent from other Lifeline subscribers at the same address for a sample of apparent duplicates? If not, why not?
5. Please describe any investigations, audits, or reviews that USAC has conducted from October 2014 to the present to verify that subscribers enrolled with an IEH override are in fact economically independent from other Lifeline subscribers at their address. Please include any such reports drafted or issued by USAC or, in the case of no such report, a summary of USAC's findings.
6. Please describe any recommendations USAC has to improve the IEH override process to ensure that taxpayer funds are not wasted. Please identify any FCC rule changes that would be necessary to effectuate such improvements.
7. You reported in your May 2 letter that USAC also conducts Payment Quality Assurance (PQA) reviews and regularly analyzes the NLAD for “anomalies, duplicates, or other errors that may signal improper payments of potentially fraudulent behavior.” As a result of those

reviews, USAC discovered and de-enrolled 373,911 duplicates from the NLAD between February and May 2015. Please describe any other investigations, audits, or reviews that USAC has conducted from October 2014 to the present to eliminate duplicate subscribers from the NLAD. Please include any such reports drafted or issued by USAC or, in the case of no such report, a summary of USAC's findings.

8. In the Total Call Mobile case, one sales agent alleged that he could enroll the same person multiple times in the NLAD so long as the applicant used different devices within a 15-minute timespan. Is this claim true? If so, what steps will USAC take to close this apparent loophole?

I appreciate USAC's continued work to protect the American taxpayer and safeguard the Universal Service Fund. I also appreciate that USAC often takes instruction from the FCC in fulfilling its role. Given the hundreds of millions in taxpayer funds apparently lost to unscrupulous behavior in the Lifeline program, I hope you will agree that USAC's paramount task must be to eliminate waste, fraud, and abuse from the Lifeline program. I therefore ask that you respond with the requested information by June 28, 2016. If you have any questions, please feel free to contact Nicholas Degani in my office at (202) 418-2000.

Sincerely,



Ajit Pai
Commissioner
Federal Communications Commission