December 22, 2016 Statement by FCC, Office of Inspector General

Total Call Mobile Pays $30 Million and Admits to Defrauding the Government Program Offering Discounted Phone Services to Low-Income Consumers Following Investigation by the U.S. Attorney's Office for the Southern District of New York and the FCC Office of Inspector General

On December 22, 2016, U.S. District Court Judge Jed S. Rakoff approved a settlement to resolve the Government's claims against TOTAL CALL MOBILE, LLC ("TOTAL CALL") for defrauding the Lifeline program by knowingly seeking reimbursement for consumers who did not meet Lifeline eligibility requirements. The United States' Complaint names TOTAL CALL, LOCUS TELECOMMUNICATIONS, LLC, and their shared corporate parent, KDDI AMERICA, INC., as co-defendants. Under the settlement, defendants are required to pay approximately $22.54 million to the United States, and to forego payment of approximately $7.46 million in Lifeline reimbursements claimed by TOTAL CALL but held by the Government pursuant to a prior FCC Order. Further, TOTAL CALL agreed to cease providing Lifeline services by December 31, 2016, and not to participate in the Lifeline Program in the future.

The settlement concludes an extensive investigation by the FCC Office of Inspector General (FCC-OIG) and the U.S. Attorney's Office for the Southern District of New York into whistleblower allegations that TOTAL CALL knowingly submitted false claims for federal payments by seeking reimbursement for consumers who did not meet Lifeline eligibility requirements.

To be eligible for the Lifeline Program, a consumer must have income that is at or below 135% of the Federal Poverty Guidelines or participate in one of a number of specified federal, state, or Tribal assistance programs. Eligible Telecommunications Carriers ("ETCs"), such as TOTAL CALL, receive monthly federal payments for providing discounted phone services to qualified consumers. As a condition of payment, an ETC must comply with FCC regulations, which, among other things, require the implementation of policies and procedures to ensure that enrolled subscribers are indeed eligible for the program and that households do not receive more than one Lifeline phone. ETCs must certify their compliance with Lifeline rules with each monthly request for payment.

TOTAL CALL relied primarily on "field agents" to engage in face-to-face marketing of mobile services. Field agents were expected to enter a consumer's demographic information and capture images of the consumer's proof of identification and proof of eligibility for the Lifeline Program (*e.g.*, Medicaid card, food stamp card) into TOTAL CALL's electronic systems.

TOTAL CALL engaged in a widespread practice of seeking federal reimbursement for consumers who did not meet Lifeline's eligibility requirements. TOTAL CALL field agents employed a range of fraudulent enrollment practices, including repeatedly using the same eligibility proof to enroll multiple consumers, tampering with identification or eligibility proof documentation, altering consumer information to avoid the detection of duplicate subscriber enrollments, and submitting false consumer addresses and social security numbers. In addition, defendants failed to implement effective procedures and systems for preventing the enrollment of duplicate or otherwise ineligible Lifeline subscribers.

To maximize enrollments and meet its aggressive sales targets, TOTAL CALL, with the knowledge and involvement of the other defendants, approved applications with little or no scrutiny, and then submitted grossly inflated reimbursement requests with false certifications of compliance with Lifeline rules. TOTAL CALL had access to the information entered by the field agents, and even a cursory review of the submitted information and documentation would have shown that many applications were faulty and should have been denied. Even after TOTAL CALL's managers were notified that high volume field agents were engaging in blatantly fraudulent enrollment practices, TOTAL CALL continued to approve and seek federal reimbursement for consumers enrolled by these agents.

In connection with the settlement, the Government joined a private whistleblower lawsuit that had been filed under seal pursuant to the False Claims Act. The payment also resolves an administrative investigation conducted by the FCC, and the FCC has entered into a separate administrative agreement with TOTAL CALL as part of this global settlement.

The FCC-OIG is committed to eliminating fraud, waste, and abuse in FCC programs, and appreciates its strong partnership with the U.S. Department of Justice.