

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL



August 10, 2020

Twinkle Andress Cavanaugh, President
Alabama Public Service Commission
PO Box 304260
Montgomery, AL 36130

Re: FCC OIG/State Public Utility Commission
Cooperation Regarding the Lifeline Program

Dear President Cavanaugh:

I write to encourage and invite you to continue sharing with the Federal Communications Commission's Office of Inspector General (FCC OIG) important information when your office is concerned with systemic misconduct, financial loss or fraud in the Lifeline program. State PUCs frequently receive important information from the public or as part of their mandate to promote universal communications services. We seek to strengthen our relationship with you to better combat the challenges that fraud, waste, and abuse present to program integrity, which in turn may reduce consumer fraud in your state. In furtherance of this effort, I am reaching out to you as well as to all state Public Utility Commissions (PUCs).

Each year, the federal government through the FCC and USAC disburses approximately \$10 billion to companies and institutions to provide telecommunications services to qualifying low-income, rural, underserved, and difficult-to-reach consumers. In particular, the Lifeline program makes communications services more affordable for low-income consumers by subsidizing monthly telephone service, broadband Internet access service, or voice-broadband bundled

service provided by eligible telecommunications carriers (ETCs). In 2019 alone, USAC disbursed \$1 billion in Lifeline subsidies.

While the Lifeline program provides much-needed telecommunications services to vulnerable populations, the program is subject to fraud, waste, and abuse, which both diverts and damages the integrity and credibility of the program. Our office is charged with the responsibility to conduct independent investigations, audits, and reviews of the Lifeline program to eliminate fraud, waste, and abuse.

One of the most important challenges our office faces in accomplishing this mission is identifying problems in the program. On the frontlines of fielding complaints and providing oversight, FCC OIG views state PUCs as important partners in detecting serious problems and misconduct related to Lifeline. We seek your continued cooperation and vigilance to assist in our efforts to combat fraud, waste, and abuse in this important USF program, particularly as it affects consumers in your state. Moreover, we ask that you share this letter with your colleagues who may receive Lifeline-related information and complaints. Sharing such information with our office may reduce Lifeline fraud within your state's borders.

Lifeline Program Fraud

As noted, in recent years the Lifeline program has been subject to extensive fraud. In 2019, OIG published an audit report which concluded that nearly \$1 out of every \$5 disbursed in the Lifeline program that year constituted an improper payment. In addition, other worrisome findings regarding the Lifeline program include the following:

- In 2016, the FCC OIG partnered with the U.S. Attorney's Office for the Southern District of New York to investigate allegations of fraud against a Lifeline carrier, Total Call Mobile, LLC. Total Call Mobile agreed to pay \$30 million and cease Lifeline operations to resolve a federal False Claims Act case against the company.
- In May 2017, the GAO issued a report after conducting a three-year audit of the Lifeline program which concluded, "[a]dditional action [is] needed to address significant risks in FCC's Lifeline program." Specifically, GAO found Lifeline "companies may have an incentive to enroll as many customers as possible" after it was unable to confirm whether 36% of Lifeline subscribers qualified for program enrollment.
- In November 2017, FCC OIG alerted FCC management and USAC to its findings that nearly 50,000 deceased individuals had been enrolled by Lifeline ETCs.
- In April 2019, the FCC OIG released a public advisory concerning "pervasive, fraudulent [Lifeline carrier enrollment] practices that violate program rules and divert monies from the intended beneficiaries of the [Lifeline] program."

FCC OIG maintains an active roster of ongoing investigations into potential misconduct by Lifeline carriers and their agents. Information shared by state PUCs frequently serve as the genesis for these investigations. Recently, information shared by state PUCs in Oregon, Oklahoma, and Nevada has been very valuable to our investigations. Most noteworthy, the

Oregon PUC initially detected Sprint's failure to de-enroll Lifeline consumers who were no longer using their subsidized service as required by Lifeline rules. The Oregon PUC shared its findings with our office and the FCC. We immediately opened an investigation, and Sprint repaid nearly \$170M in Lifeline subsidies the company never should have received.

As you know, our office uses information developed during investigations in partnership with the U.S. Department of Justice to seek criminal and civil sanctions against those who seek to defraud the program. OIG may also seek a range of other remedies including making recommendations to policymakers regarding fraud mitigation. To conduct these investigations, however, we must first become aware of potential misconduct.

How Can State PUCs Help?

The most important contribution a state PUC can make to strengthen the FCC OIG's fight against fraud, waste, and abuse in the Lifeline program is to share information which raises suspicions regarding the conduct of ETCs and their agents in a timely manner.

Examples of information our office would find most valuable:

- Patterns of Lifeline program consumer complaints in your state which suggest misconduct, fraud or a violation of FCC rules.
- Patterns of ETC or agent misconduct, financial loss or fraud.
- State PUC Lifeline program investigations of ETCs which receive federal Lifeline support.
- Information shared with state regulators about the Lifeline program in your state.
- Whistleblower allegations received by your office which relate to fraud, waste or abuse of the Lifeline program by ETCs or agents.
- Other violations of federal laws or regulations that may come to your attention related to the Lifeline program.

This list is not exhaustive, and I encourage you to share information anytime your office is concerned with systemic misconduct, financial loss or fraud in the Lifeline program.

Our office highly values the information we have received from various state PUCs in the past regarding threats to the integrity of the Lifeline program, and as we continue to fulfill our mandate, we trust state PUCs will continue to share relevant information with us. I believe both federal and state stakeholders will benefit from a strengthened relationship helping to ensure that this essential program is not abused.

Please share this letter with your colleagues who may be involved with Lifeline-related issues or who regularly receive information related to the Lifeline program. Of course, if there is any way we can assist you in your own efforts in this regard, please feel free to contact us.

If you have any information, please contact Sharon R. Diskin, Assistant Inspector General- Investigations and Counsel at (202) 418-0470, email: Sharon.Diskin@fcc.gov or Hillary Burchuk, Deputy Assistant Inspector General-Investigations at (202) 418-1719, email: Hillary.Burchuk@fcc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Hunt". The signature is stylized with a large initial "D" and a cursive "Hunt".

David L. Hunt
Inspector General