



MEMORANDUM

January 28, 2020

FCC-OIG Advisory Regarding ETC Compliance with Lifeline Usage Rule

Introduction

FCC-OIG's statutory mandate is to protect the integrity of the Federal Communications Commission's programs and operations by combating fraud, waste and abuse. OIG provides objective, independent investigations, audits and reviews of FCC programs, including Universal Service Fund (USF) programs administered by the Universal Service Administrative Company (USAC). In FY2018, USAC disbursed more than \$1.1 billion to eligible telecommunications companies (ETCs) to subsidize service to low-income households who participate in qualifying programs such as Medicaid, SNAP and Supplemental Security Income.

OIG issues this advisory letter to alert ETCs, consumers and the public regarding carrier failures to comply with the program's usage rule. Chairman Pai recently announced that Sprint sought tens of millions of dollars in Lifeline subsidies for consumers who should have been de-enrolled from the program for non-usage.¹ Sprint is not alone. OIG is currently investigating other ETCs regarding significant potential violations of the Lifeline usage rule. As a result, OIG suspects non-compliance with the usage rule by both large and small carriers may be more widespread.

The usage rule is clear: ETCs shall only receive universal service support reimbursement for Lifeline service provided to subscribers who have used the service within the last 30 days, or who have cured their non-usage in accordance with the Commission's rules.² Moreover, when seeking universal service support reimbursement for providing Lifeline

¹ See September 24, 2019 FCC Press Release, "The Federal Communications Commission has learned that Sprint Corp. claimed monthly subsidies for serving approximately 885,000 Lifeline subscribers, even though those subscribers were not using the service." As the release noted, the non-usage rule is designed to prevent waste, fraud and abuse in the Lifeline program.

² 47 CFR §54.407 (c) (2).

service, ETCs must certify compliance with all Lifeline rules, including the usage requirement.³

Examples of Usage Rule Violations

Alarming,ly, OIG has discovered evidence some ETCs regularly sought and received Lifeline subsidies for accounts with no qualifying usage within the timeframe required by the rule (historically, a 30- or 60-day period). Even more egregiously, OIG has evidence ETCs have sought reimbursement for providing service to accounts that *never had any qualifying usage*.

Other examples of usage rule violations include treating the following as qualifying usage:

- Incoming texts to subscribers
- Incoming voicemails to subscribers
- Data use not generated by the subscriber

These examples are not exhaustive. While some usage rule violations may be the result of willful conduct by ETC management, other violations may reflect the failure of ETC management to establish appropriate policies and procedures, properly train and supervise employees or adequately test usage mechanisms. Neither willful violations nor failed management practices are acceptable.

OIG reminds all Lifeline ETCs to carefully scrutinize their usage monitoring and de-enrollment practices to ensure compliance with program rules. If ETCs discover usage problems, OIG reminds carriers of their obligation to take appropriate remedial measures, including amending past 497 filings and de-enrolling affected subscribers. ETCs who defraud the USF by violating the program's usage rule will be held accountable and may be subject to civil or criminal sanctions.

Fraud, waste and abuse remains a serious problem for the Lifeline program, and from time to time, OIG issues advisories to alert and educate Lifeline stakeholders and the public about some of the root causes we learn about during our investigations. OIG is committed to our mandate and will continue to use a full range of tools to expose and combat fraud, waste and abuse in USF programs. OIG encourages anyone with information regarding fraud, waste or abuse in any FCC program, including Lifeline, to report such allegations via the OIG hotline.

FCC OIG Hotline

Report Waste, Fraud & Abuse

Telephone: (202) 418-0473

Toll Free: (888) 863-2244

FAX: (202) 418-2811

E-Mail: hotline@fcc.gov

³ 47 CFR §54.407 (d) (1).