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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

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May 13, 2013

The Honorable Gene L. Dodaro
Comptroller General of the United States
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

As part of the Subcommittee's oversight of federal spending, I am writing to request that the Government Accountability Office (GAO) evaluate recent reforms put in place by the Federal Communication Commission (FCC) to combat fraud in the Universal Service Fund Low-Income Program.

As you know, the Low-Income Program provides low-income households with discounts on installation costs for new telephone service and monthly charges for basic telephone service. The Low-Income Program has also been modernized to provide low-income consumers access to broadband service. In 2005, the program expanded to include the addition of a prepaid wireless service option allowing program participants to obtain a free wireless phone and an allotment of free minutes each month, which caused program participation and support payments to increase dramatically.¹

In 2012, the FCC instituted reforms to combat fraud by revising its program eligibility requirements, such as requiring applicants to provide documentation of income levels when applying for program participation, and enforcing the one-subsidy-per-household limit.² According to recent reports, however, the Low-Income Program continues to experience substantial fraud and weak management controls in assessing the eligibility of program applicants. In February 2013, *The Wall Street Journal* found that 41% of participants in the

¹ Government Accountability Office, *Telecommunications: Improved Management Can Enhance FCC Decision Making for the Universal Service Fund Low-Income Program* (Oct. 2010) (GAO-11-11).

² Federal Communications Commission, *Press Release: FCC Reforms, Modernizes Lifeline to Keep Low-Income Americans Connected to Jobs, Family, 911 Services* (Jan. 31, 2012).

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program enrolled by five of the largest providers were unable or unwilling to verify eligibility as required.³

I request that GAO's Forensic Audit and Investigative Service (FAIS) team conduct a forensic audit of the Low-Income Program. Specifically, I request that FAIS:

- (1) Determine the extent to which FCC's reforms are effectively limiting opportunities for fraud and abuse in the Low-Income Program, including broadband service;
- (2) Identify specific case study examples of fraudulent, improper, and abusive activity; and
- (3) Identify additional reforms, if any, that FCC might take to limit opportunities for fraud or waste in this program.

Please contact Margaret Daum with the Subcommittee staff at (202) 224-7155 with any questions. Please send any official correspondence related to this request to Lauren Corcoran at Lauren_Corcoran@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Financial and Contracting
Oversight

cc: Ron Johnson
Ranking Member
Subcommittee on Financial and Contracting Oversight

³ *Millions Improperly Claimed U.S. Phone Subsidies*, The Wall Street Journal (Feb. 13, 2013).