United States Senate

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

February 13, 2012

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street S.W., Room 8-B201
Washington, DC 20554

Dear Chairman Genachowski:

As part of the Subcommittee's ongoing oversight of contract management, I am writing to request information and documents about contracts related to Lifeline, the program that provides discounted landline services to qualified, low-income customers.

Since 1999, the Federal Communications Commission (FCC) has delegated the administration of Lifeline to the Universal Service Administrative Company (USAC), a not-for-profit corporation. USAC enters into agreements with private telephone companies who are responsible for enrolling eligible customers in Lifeline.[1]

In 2008, Lifeline was expanded to provide discounted prepaid wireless phones and services. Since the expansion, there has been a substantial increase in the number of customers who participate in the program and the costs of Lifeline have increased from $800 million in 2008 to approximately $1.3 billion in 2010.[2] The overall costs of the program were expected to exceed $1.5 billion in 2011.[3]

I am pleased by the FCC's recent actions to reduce waste, fraud, and abuse in Lifeline. These reforms include establishing a National Lifeline Accountability Database to prevent

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

[2] Lifeline is paid for by the Universal Service Fund (USF). The Telecommunications Act of 1996 requires all telecommunications carriers providing interstate telecommunications services to contribute to the fund. Usually, carriers pass their contribution on to their customers in the form of a fee that is added to their monthly telephone bill. *Id.*

[3] *Id.*

customers from receiving phones from multiple telephone companies and conducting independent, bi-annual audits of companies that receive more than $5 million in program disbursements.[4] The FCC has also taken steps to eliminate nearly 270,000 duplicate subscriptions from the program.[5]

The proper management and oversight of contracts related to Lifeline may provide additional opportunities to eliminate waste, fraud, and abuse from the program. To assist the Subcommittee in understanding how the FCC uses contracts for Lifeline, I request that you provide the following information and documents:

(1) A copy of the Memorandum of Understanding (MOU) between the FCC and USAC;

(2) The number of contractors employed by the FCC who perform work related to the management or oversight of Lifeline, and the number, value, and scope of all contracts under which those contractors are employed;

(3) The number, value, and scope of all contracts, MOUs, or agreements between the FCC or USAC and other administrators of the program;

(4) The number, value, and scope of all contracts, MOUs, or agreements between the FCC or USAC and eligible telecommunications carriers;

(5) All audits, evaluations, or reports related to the performance of USAC and eligible telecommunications carriers; and

(6) A list of eligible telecommunications carriers who participated in the program during FY2011 and the amount of program disbursements received by each company.

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress).

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[4] *Id.*

[5] Federal Communications Commission, *FCC Reforms, Modernizes Lifeline Program for Low-Income Americans* (online at www.fcc.gov) (accessed Feb. 6, 2012).

I appreciate your assistance with this request. Please contact Margaret Daum with the Subcommittee staff at (202) 224-4462 with any questions. Please send any official correspondence relating to this request to kelsey_stroud@hsgac.senate.gov.

Sincerely,

Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

cc: Rob Portman
Ranking Member
Subcommittee on Contracting Oversight

Enclosure