



FEDERAL COMMUNICATIONS COMMISSION

April 17, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Claire McCaskill
Chairwoman
Subcommittee on Contracting Oversight
Committee on Homeland Security & Governmental Affairs
United States Senate
601 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairwoman McCaskill:

Thank you for your letter of February 13, 2012 regarding the Universal Service Fund's (USF) Lifeline program. The Commission's unanimous, comprehensive reform of Lifeline earlier this year included strong measures to eliminate waste, fraud, and abuse, while modernizing Lifeline for the broadband age. These reforms are expected to save hundreds of millions of dollars annually.

I am glad to respond to the questions you pose by providing the attached responses prepared by the Commission's Office of Managing Director, which oversees the management and administrative activities of the USF Administrator, the Universal Service Administrative Company.

Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in dark ink, appearing to be "J. Genachowski", is written over a horizontal line. The signature is stylized with a large, sweeping "J" and a long horizontal stroke.

Julius Genachowski

cc: The Honorable Rob Portman,
Ranking Member
Subcommittee on Contracting Oversight

Enclosure

Information Request Concerning the Universal Service Fund Lifeline Program
United States Senate
Committee on Homeland Security & Governmental Affairs
Subcommittee on Contracting Oversight

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

Response:

The MOU between the FCC and USAC is available on the FCC's webpage at, <http://transition.fcc.gov/omd/usac-mou.pdf>. An electronic copy of the MOU is also available on the enclosed disc.

(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 contractors under which those contractors are employed.

Response:

The FCC does not employ contractors to manage or oversee the Universal Service Fund, which consists of the High-cost, E-rate, Rural Health Care, and Lifeline programs. Instead, in 1997, the FCC established the Universal Service Administrative Company (USAC), a not for profit corporation, to administer the Universal Service Fund. USAC's responsibilities are detailed in the Commission's rules, Orders, the MOU (referenced above), letters, and other guidance. Among its responsibilities, USAC administers disbursements for the E-rate program, Rural Health Care program, High-cost program, and Low income program. (47 C.F.R. § 54.702). USAC also bills and collects contributions from telecommunications carriers and other providers of telecommunications used to fund these program (47 C.F.R. § 54.702). In addition, pursuant to Commission rules, USAC may not "make policy, interpret unclear provisions of the statute or rules, or interpret the intent of Congress." (47 C.F.R. §54.701(c)).

For your reference, the enclosed disc includes electronic copies of the Commission's rules concerning USAC's Administration (also available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=eb4d910e6e6b68bee76409caaab4cb69&rgn=div6&view=text&node=47:3.0.1.1.7.8&idno=47>) and USAC's most recent Annual Report (also available at <http://www.usac.org/about/governance/annual-reports/2010.html>) which provides comprehensive information concerning its operations for the past year. Additional information concerning USAC can be also be found on its website, available at, <http://www.usac.org/default.aspx>.

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

Response:

There are no responsive documents to this item because, as discussed above, USAC is the sole administrator of the Universal Service Lifeline Program. Please see response to Item 2, above, addressing the responsibilities and operations of USAC.

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

Response:

There are no responsive documents to this item. Eligible Telecommunications Carriers (ETCs) receive support under the Low Income program pursuant to the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (1996 Act) and the Commission's rules. There are no contracts, MOUs, or agreements between the ETCs and the FCC or USAC.

To be designated as an ETC, state commissions have primary responsibility for such designation pursuant to section 214(e)(2) of the 1996 Act. 47 U.S.C. § 214(e)(2). Section 214(e)(6) of the 1996 Act, however, directs the Commission to designate an ETC, upon request, when that carrier is not subject to the jurisdiction of a State commission. 47 U.S.C. § 214(e)(6). Once designated, an ETC receives Lifeline reimbursement from USAC for each qualifying low-income consumer served (47 C.F.R. § 54.407). To process this reimbursement, among other things, ETCs must file one Lifeline and Link Up Worksheet (FCC Form 497), which is provided on the attached disc (also available at <http://www.usac.org/li/telecom/step06/form497.aspx>) for each month of Low Income support claimed.

For your reference, electronic copies of the *Commission 2012 Lifeline Reform Order* (approving comprehensive reform and modernization of Lifeline), the Federal Register Publication detailing changes to the Commission's rules under the *2012 Lifeline Reform Order*, and the 2011 Code of Federal Regulations edition of the Commission's rules concerning the Low Income program. Additional information concerning the Lifeline program is also available on the Commission and USAC websites, at http://transition.fcc.gov/wcb/tapd/universal_service/lowincome.html and <http://www.usac.org/li/>.

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

Response:

Per a discussion clarifying this request with Senator McCaskill's office on February 23, 2011, the enclosed disc contains electronic copies of all completed audits for Fiscal Year 2011. In addition, included are electronic copies of all completed audits from the last five years with findings recommending recoverable Low Income disbursements in excess of \$100,000. Also included is a spreadsheet summarizing these audits and providing status on recommended recovery amounts.

(6) A list of eligible telecommunications carriers who participated in the program during FY 2011 and the amount of program disbursements received by each company.

Response:

The enclosed disc contains a spreadsheet which provides a list of every ETC who participated in the Lifeline program during FY 2011 and details the amount of disbursements received.

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Committee on Homeland Security & Governmental Affairs
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Index of Electronic Copies Provided

File

Audits with Significant Findings

- Summary Spreadsheet “McCaskillMaterialFindingsAudits3-20-12”
- 9 Audits: LI2006BE004; LI2006LR003; LI2008BE006; LI2008LR003; LI2008LR005; LI2006BE204; LI2008BE001; LI2008BE012; LI2008LR004

Fiscal Year (FY) 2011 Audits

- 33 Audits: LI2009BE001; LI2009BE002; LI2009BE003; LI2009BE004; LI2009BE005; LI2009BE006; LI2009BE007; LI2009BE008; LI2009BE009; LI2009BE010; LI2009BE011; LI2009BE012; LI2010BE016; LI2010LR003; LI2010LR005; LI2010LR015; LI2011BE001; LI2011BE002; LI2011BE003; LI2011BE004; LI2011BE005; LI2011BE006; LI2011BE007; LI2011BE008; LI2011BE009; LI2011BE010; LI2011BE011; LI2011BE012; LI2011BE013; LI2011BE014; LI2011BE015; LI2011BE016; LI2011BE017; LI2011BE018; LI2011BE019; LI2011BE020; LI2011BE021; LI2011BE023; LI2011BE025

US Code, Order, Rules, Forms

- 47 C.F.R.Subpart E – Low Income Rules (10-01-11Edition)
- 47 C.F.R.Subpart F – Administration (10-01-11Edition)
- 47 U.S.C. Section 214
- 2011 Low Income Reform Order and NPRM
- 2012 Lifeline Fed. Register Publication with Rule Changes
- Form-497
- Form-497 Instructions

FCC USAC Memorandum of Understanding

USAC 2010 Annual Report

Low Income Support State and Company FY 2011